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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

-----x

3 UNITED STATES OF AMERICA,

4 v.

17 CR 630 (ER)

5 MARK S. SCOTT,

6 Defendant.

7 -----x

8 New York, N.Y.
9 November 5, 2019
9:00 a.m.

10 Before:

11 HON. EDGARDO RAMOS,

12 District Judge

13 APPEARANCES

14
15 GEOFFREY S. BERMAN,

United States Attorney for the
16 Southern District of New York

CHRISTOPHER DiMASE

17 NICHOLAS FOLLY

JULIETA V. LOZANO

18 Assistant United States Attorneys

19 COVINGTON & BURLING LLP

Attorneys for Defendant

20 BY: ARLO DEVLIN-BROWN

KATRI STANLEY

21 -AND-

22 DAVID M. GARVIN

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(In open court; jury not present)

THE COURT: Good morning, everyone. Do you want to put your appearances on the record?

MR. DiMASE: For the government, Christopher DiMase. I am joined by Nicholas Folly and Julieta Lozano, Paralegal Specialist Nick Barile, FBI Agent Ronald Shimko, and IRS Agents Rich Reinhart and John Abram.

THE COURT: You have to be really close to the microphone.

And for the defense?

MR. DEVLIN-BROWN: Good morning, your Honor. Arlo Devlin-Brown, David Garvin, Katri Stanley, and Mark Scott is with us here today.

THE COURT: Good morning to you all. I understand there is something the parties wanted to bring to my attention.

MR. DiMASE: I wanted to briefly let the Court know about two things with respect to the first witness the government intends to call, Mr. Horn.

First of all, there was an issue raised in his notes that the government was prepared to move to preclude cross-examination about. I've spoken to Mr. Garvin, who I understand will be handling the cross, and it is my understanding he doesn't intend to go down that road, so I think that issue is mooted.

THE COURT: Okay.

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1 MR. DiMASE: The second issue that I wanted bring to
2 the Court's attention, I've also told Mr. Garvin, is Mr. Horn
3 is 75 or 76 years old. I may lead him a little bit through
4 parts of the testimony in order to get him through the
5 testimony in a timely and efficient manner. I will do the best
6 I can not to lead him, but I've let Mr. Garvin know there may
7 be some of that and he, obviously, he reserves the right to
8 object. But --

9 THE COURT: I think there is nothing wrong with
10 leading a witness through preliminary and non-controversial
11 matters, as long as it's not cutting too close to the bone of
12 what the defense thinks is an appropriate defense. I would
13 have no problem with that.

14 MR. DiMASE: That's all, your Honor.

15 MR. DEVLIN-BROWN: Perhaps just to alert the Court to
16 a couple issues in opening. I don't think they're issues, but
17 just to alert the Court. One is the defense has a PowerPoint,
18 it's literally just five titles to kind of give the jury a
19 roadmap through sections. We shared the titles with the
20 government yesterday. They didn't have any objection to that,
21 so that will appear on the screen.

22 THE COURT: Very well.

23 MR. DEVLIN-BROWN: And another thing, I just wanted to
24 let the Court know, you know, as we've told the Court before,
25 one concern we have about this case, particularly when you have

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1 victims like Mr. Horn testifying, is it is important for the
2 jury to understand what Mr. Scott is charged with and what he's
3 not. I absolutely don't plan to give anything close to what an
4 instruction would be on the charges, but I did plan to discuss
5 briefly what the charges are, there is a wire fraud, he's not
6 charged with that. He's charged with money laundering, which
7 is laundering money you know is a crime. The judge will
8 explain more. He's charged with bank fraud which involves
9 deceit on FDIC insured banks.

10 THE COURT: I think that's fine.

11 MR. DEVLIN-BROWN: Thank you.

12 THE COURT: Unless there is anything else? You've got
13 20 minutes.

14 (Recess)

15 (in open court; jury not present)

16 THE COURT: All the jurors are here, so we'll get
17 started right at 9:30.

18 (Jury present)

19 THE DEPUTY CLERK: In the matter of the United States
20 of America v. Mark Scott.

21 THE COURT: Ladies and gentlemen of the jury, thank
22 you so much for being so prompt. We all greatly appreciate it.
23 As I indicated yesterday, we're going to begin this morning
24 with opening statements. Again, these opening statements are
25 not evidence. It is simply the lawyers' view of what they

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1 believe the evidence will show. Because the government has the
2 burden of proof throughout this trial, the government will go
3 first.

4 Who will be opening for the government?

5 MS. LOZANO: I will, your Honor.

6 THE COURT: Ms. Lozano.

7 MS. LOZANO: This is a case about an international
8 money laundering. For years, this man, the defendant, Mark
9 Scott, an attorney, laundered hundreds of millions of dollars.
10 And that money came from a massive get-rich-quick scheme
11 designed to get victims to invest in a fake cryptocurrency
12 known as OneCoin, one that would supposedly rival bitcoin and
13 make them rich overnight. But the cryptocurrency was
14 absolutely fake, and worth nothing.

15 The scheme raked in billions of dollars of dirty
16 money. And it was the defendant's job to clean that money,
17 make it look legitimate, and get it back to the fraudsters. He
18 cleaned the fraud money that he knew was dirty by setting up
19 phony investment funds and lying to banks and other financial
20 institutions to make it look like the OneCoin fraud proceeds
21 were actually profits from legitimate businesses that had
22 nothing to do with OneCoin. But instead of actually making
23 legitimate investments, the defendant was simply taking in
24 fraud dollars from OneCoin, and then sending the money -- over
25 \$400 million -- right back to OneCoin's leaders on the other

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1 end.

2 He was paid handsomely for his work. He earned
3 millions of dollars, which he used to buy multimillion dollar
4 homes, fancy cars, and a luxury yacht.

5 Ladies and gentlemen, as Judge Ramos explained to you
6 in his preliminary instructions, this opening statement is the
7 government's opportunity to provide you with an overview of
8 what this case is about, and what the evidence will show. So
9 let me tell you a little bit about what I expect the evidence
10 will show.

11 First, let's talk about OneCoin and what it is. We
12 mentioned cryptocurrency a lot yesterday. As you may know,
13 cryptocurrency is simply digital or non-paper money. You'll
14 hear that a woman named Ruja Ignatov started OneCoin in 2014.
15 It headquartered in Bulgaria, and it was set up as a fraud to
16 begin with.

17 The cryptocurrency OneCoin marketed was fake. But to
18 fool victims into investing in OneCoin, OneCoin compared itself
19 to real cryptocurrencies such as bitcoin, and urged victims to
20 get in early, promoting the false hope that OneCoin would
21 follow in the footsteps of bitcoin, and increase rapidly in
22 value.

23 But, unlike bitcoin, OneCoin was a total sham and had
24 no real value.

25 So, the way OneCoin made its money was by tricking

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1 victims into buying worthless OneCoins by saying OneCoin would
2 enjoy a meteoric rise in value, just like other
3 cryptocurrencies like bitcoin. Because of these lies, victims
4 all over the world wired money to buy worthless OneCoins. But
5 when the victims tried to withdraw their investments, or
6 exchange the OneCoins for something, anything of value, they
7 couldn't.

8 This fraud scheme was incredibly profitable. You will
9 hear that it brought in billions of dollars in revenues. And
10 this is where the defendant comes in. In order to succeed,
11 OneCoin needed a way to funnel the victims' money back to the
12 company, and to Ruja, and to other OneCoin fraudsters. But the
13 fraud proceeds couldn't be sent directly to Ruja. That would
14 make the scheme too obvious, and easy to detect to outsiders.
15 On top of that, as banks became suspicious that OneCoin was a
16 fraud, they began to shut down OneCoin accounts. So Ruja
17 couldn't just walk into a bank and open a OneCoin account. She
18 needed a way to transfer OneCoin money that masked any
19 connection to her or the OneCoin. So she sought the assistance
20 of money launderers like the defendant.

21 Mark Scott and other money launderers solved this
22 problem. They gave Ruja a network of bank accounts throughout
23 the world that were opened in the name of shell companies, and
24 used to receive and transfer OneCoin fraud proceeds.

25 The defendant's particular method of laundering

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1 OneCoin proceeds involved running the money through phony
2 investment funds that he set up for that very purpose, and
3 lying to banks and other financial institutions so that the
4 OneCoin fraud money could move through the phony funds. He
5 established these so-called investment funds beginning in early
6 2016, shortly after he first met Ruja, and he served as the
7 fund manager for the funds, meaning that he had total control
8 over moving the money into and out of the funds.

9 At the end of the day, the defendant used his funds to
10 clean Ruja's illegally obtained money, and send it right back
11 to her.

12 Now, how will you know that the defendant, Mark Scott,
13 knew that OneCoin's money was illegally obtained? Very simply.
14 The evidence will show you that the defendant did everything he
15 could to cover up the connection between the money flowing
16 through his funds and OneCoin and Ruja. Since the defendant
17 could not admit to banks that all of this money came from
18 OneCoin, and actually belonged to Ruja, he lied. He lied to
19 banks, and he lied to other financial institutions, to keep the
20 money safe.

21 After the funds' accounts, the funds' bank accounts
22 were up and running, between approximately 2016 and 2017, the
23 defendant accepted wire transfers totaling over \$400 million
24 from OneCoin. During that time, the defendant made numerous
25 transfers out of the funds in connection with what he claimed

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1 were various investments made on behalf of the so-called
2 investors. None of those investments was legitimate. Rather,
3 they were dummy transactions used as cover for moving OneCoin
4 fraud money back to Ruja.

5 So how did defendant Mark Scott successfully move the
6 fraud dollars back to OneCoin and Ruja? Well, you will hear
7 that again and again, in order to make sure the money moved,
8 the defendant peddled lies to banks and financial institutions,
9 and to make those lies more believable, the defendant and his
10 partners falsified documents, including creating fake
11 agreements to make the transfers appear legitimate.

12 By April of 2017, through his deceit and concealment,
13 the defendant had transferred almost all of the money in the
14 so-called investment funds back to Ruja and other
15 OneCoin-related entities.

16 Later that year, in October 2017, after learning that
17 the United States was investigating her, Ruja hopped on a
18 plane, took a one-way flight from Bulgaria, and disappeared.
19 She has not been heard from since.

20 The defendant, on the other hand, remained involved
21 with OneCoin. As of mid-2018, the defendant still held onto
22 OneCoin fraud proceeds. He was still the money man.

23 Now, this was a risky business. So why did he do it?
24 Well, you will learn that his work in laundering money for
25 OneCoin was extremely lucrative. He made millions, which he

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1 used to purchase several multimillion dollar homes in Cape Cod,
2 a 57-foot luxury yacht, and several luxury cars, including at
3 least three different Porsches.

4 But in September of 2018, it all came to an end.
5 Federal agents arrested the defendant in Cape Cod,
6 Massachusetts.

7 Now, let me tell you a little bit about how the
8 government expects to prove that the defendant is guilty of the
9 crimes with which he is charged, conspiracy to commit money
10 laundering by moving the dirty OneCoin money and conspiracy to
11 commit bank fraud by lying to the banks, and what types of
12 evidence we expect you will see and hear at this trial.

13 The evidence will come in several forms, including
14 witnesses, physical evidence, documents and records, and
15 recordings. As you hear from the witnesses, and view the
16 exhibits, you will see the bigger picture and how all of the
17 evidence fits together and how it proves the defendant's guilt
18 in this case.

19 You will hear from victims of the OneCoin fraud. They
20 will describe to you what the OneCoin fraudsters told them and
21 what led them to invest. The victims will describe their
22 experiences trying and failing to recoup the money they
23 invested, only to learn that their OneCoins were in fact
24 worthless and could not be exchanged for anything of value.

25 You will hear from a fund administrator who

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1 administered the defendant's so-called investment funds for
2 approximately four months, and who ultimately discovered that
3 the defendant was using those funds to transfer tens of
4 millions of dollars of OneCoin fraud proceeds. The fund
5 administrator will describe the defendant's resistance to
6 providing basic information about the money coming into the
7 funds, including the lies the defendant told and the fake
8 documents that he provided.

9 You will also hear from bank employees, from banks
10 located here in the United States, about certain fund
11 transfers, and the lies that the defendant and others working
12 with him told to those banks in order to make those transfers
13 happen.

14 You are also going to hear from Ruja's brother, who
15 became one of the top leaders of OneCoin after she disappeared.
16 He will tell you from the inside that OneCoin was a total scam
17 and that OneCoins had no real value. He will tell you about
18 OneCoin's difficulties banking its fraud proceeds, and that
19 OneCoin had to rely on money launderers, like the defendant, in
20 order to move enormous amounts of money quickly and regularly.
21 Ruja's brother will describe Mark Scott's role moving OneCoin's
22 money.

23 Make no mistake about it: Ruja's brother is a
24 criminal. But, he has accepted responsibility, and he has pled
25 guilty to the crimes he committed, and he will be testifying at

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1 this trial because he has entered into a cooperation agreement
2 with the government that requires him to testify. Of course,
3 he hopes to receive a more lenient sentence from the judge as a
4 result of his cooperation. So, please, listen carefully when
5 this witness testifies. Scrutinize what he tells you, and
6 consider whether what he tells you is consistent with the
7 evidence, with all the other evidence, all the other testimony,
8 and all the other documents that you will see in this case.

9 You'll also hear from some of the law enforcement
10 agents, including an agent who was involved in the defendant's
11 arrest and the search of his homes. The agent will tell you
12 about Porsches and a yacht seized from the defendant. And
13 you're going to see physical evidence, including records and
14 photographs of the items found at the defendant's homes during
15 the execution of the search warrant.

16 In addition to hearing from witnesses, you will also
17 see plenty of physical and documentary evidence proving the
18 defendant's guilt. You will see lots of bank records. And
19 these records will show you the sprawling network of bank
20 accounts, including accounts for shell companies that the
21 defendant and others used to move OneCoin money around the
22 world, and back to Ruja.

23 You'll also see and read for yourself e-mails and
24 communications from numerous different e-mail accounts and
25 electronic devices. These e-mails include Ruja's early

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1 communications about OneCoin, including her exit strategy plans
2 to, in her words, "take the money and run." The e-mails also
3 include the fraudsters' admissions that they were lying to
4 members about OneCoin being a genuine cryptocurrency. You'll
5 see e-mails between the defendant and other co-conspirators, in
6 which they concoct and discuss the lies told to banks and fund
7 administrators, and talk about the true purposes of the money
8 transfers, as well as the creation of fake documents to paper
9 over or disguise the laundering transactions.

10 Finally, and most significantly, are the defendant's
11 own words. You will hear those words in many ways, from many
12 different sources. You'll read for yourself the defendant's
13 e-mails with his co-conspirators that make clear he fully
14 understood that the money he was moving was OneCoin money, and
15 that the investors in his so-called investment fund were
16 nothing more than shell companies used by Ruja to send the
17 money around the world, and back to herself. You will also
18 have a chance to see many of the applications and e-mail
19 communications that the defendant sent to banks and fund
20 administrators, which were full of the defendant's lies about
21 the so-called investors, and the source of money flowing
22 through the phony investment funds, even though he knew fully
23 well that the money was Ruja's OneCoin fraud money, and the
24 investors were simply shells used to move her money.

25 You will also hear the defendant's own words in his

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1 own voice. First, you will hear a recording of a telephone
2 call between the defendant and representatives of the fund
3 administrator, after the fund administrator discovered that one
4 of the investors in the fund was connected to OneCoin. On that
5 call, you'll hear the defendant continue to insist that the
6 money sent into the funds was actually coming from real
7 investors, and that the information he provided was genuine.

8 You will hear the defendant's own words as well on
9 videotape when agents interviewed him after his arrest. In
10 that statement, you'll see, he did what he always did when it
11 came to OneCoin. He lied. You will hear him tell the agents,
12 contrary to his very own words in e-mails, that he was not
13 aware of any connection between OneCoin and Ruja and his
14 so-called investment funds. When asked whether his investment
15 funds had been funded by OneCoin, he answered, "Not that I know
16 of." Well, that was a total lie. And he went on to claim that
17 as soon as he found out that the funds were receiving money
18 that came from OneCoin, he stopped doing business with the
19 company sending him that money.

20 These claims made by the defendant to the agents were
21 outright lies. The evidence will show that the defendant knew
22 from the start that the money he was moving from Ruja, for
23 Ruja, came entirely from OneCoin.

24 So ladies and gentlemen, that is what I expect the
25 evidence will show at this trial. That the defendant knew from

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1 day one who Ruja was, and what OneCoin was, a fraud, and he
2 agreed to move its money nonetheless. Because he was greedy,
3 and richly rewarded for his criminal services.

4 After all the evidence comes in, we will have a chance
5 to speak with you directly once again. But until then, I ask
6 you to do three things while you are listening to the witness
7 testimony, and examining the exhibits. First, pay close
8 attention to the evidence. Second, listen carefully to and
9 follow Judge Ramos' instructions on the law. And third, use
10 your common sense. The same common sense that you use every
11 day in your lives as New Yorkers at home, at work, and in every
12 other aspect of your lives.

13 If you do these three things, the defendant will
14 receive a fair trial, the government will receive a fair trial,
15 and you will reach the only conclusion supported by the
16 evidence in this case: That the defendant is guilty.

17 THE COURT: Thank you, Ms. Lozano.

18 Does the defense wish to open?

19 MR. DEVLIN-BROWN: Yes, your Honor.

20 THE COURT: Mr. Devlin-Brown.

21 MR. DEVLIN-BROWN: Good morning.

22 The government says this is a case about money
23 laundering. But it's actually not. Because to launder money,
24 you need to know that the money you're taking in is from a
25 crime. And the evidence is going to show that Mark Scott did

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1 not know the money coming into his investment funds was from a
2 crime. That he did not know that OneCoin was a scam. And that
3 is why he's not guilty of money laundering.

4 What the case is really about is Ruja Ignatov, who the
5 prosecutors told you about. The cryptoqueen, some people
6 called her. The case is about this story that Ruja Ignatov
7 tried to sell the world. You will see her on videos, OneCoin,
8 she said, it is the bitcoin killer. It was going to be worth
9 billions.

10 And Ruja was good, the evidence is going to show.
11 Ruja convinced people all around the world to send money to her
12 for OneCoin. She convinced major banks around the world to
13 open accounts relating to OneCoin. And she convinced Mark
14 Scott, my client, to take in money from those very same bank
15 accounts to invest.

16 Mark Scott believed. He gave up his job as a partner
17 at a law firm, he set up registered investment funds, by the
18 book, everything in his own name. And he tried his very best
19 to do things the right way. But the evidence is going to show
20 that Ruja didn't want to do things the right way.

21 So Mark gets some money in from the investments in
22 about June, and he tries to work with the information he has.
23 You are going to learn Mark is a stubborn guy. And he had
24 given up his partnership at the law firm, he was going to try
25 to make this investment fund work. But what you're going to

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1 learn is some four, five months later, in October, Mark
2 couldn't take it anymore. He continued to ask Ruja for
3 information that he needed to run a registered investment fund,
4 and Ruja wouldn't give it to him. And the evidence is going to
5 show, Mark said I need this information to do my job, and Ruja
6 said, in essence, if you don't like it, here's the door.

7 So in October of 2016, just a few months after he
8 started getting money into this investment fund, Mark decides
9 he's going to walk away, and he stops making new investments,
10 and he makes plans to return the money to his investors, and
11 then he moves on.

12 Ladies and gentlemen, the government says that it's
13 going to prove at trial that Ruja was a big liar. Mark is one
14 of the people that she lied to. Mark did not know OneCoin was
15 a fraud scheme. That's why he's not guilty.

16 I'm going to stop just for a moment and introduce
17 everyone over on this side. So I'm Arlo Devlin-Brown. That's
18 David Garvin who is standing there. Katri Stanley will be
19 assisting us, and together it's our privilege to represent Mark
20 Scott at this trial.

21 I'm going to do two things in this opening statement.
22 First I want to talk to you a little bit about -- I'm going to
23 leave this as a security blanket, try to step away.

24 I'm going to talk about two things. One is the
25 charges that Mark Scott is facing. Second I want to talk to

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1 you a little bit what I think the evidence will show.

2 Let's start with the charges. The government talked
3 quite a bit about how there is going to be evidence that Ruja
4 Ignatov and others at OneCoin lied and tricked people into
5 paying for OneCoin, thinking it was a valuable investment.
6 Well, the judge is going to explain to you in detail at the end
7 of trial -- and please don't take anything I say as legal
8 instructions, I am just trying to give you the gist. Take it
9 from the judge at the end. But that crime of sort of lying to
10 people to get their money is called wire fraud. And here's the
11 crucial thing, and it's crucial to keep in mind as you hear
12 investors or members of the public who bought OneCoin, the
13 government is going to call several of them. They're going to
14 talk about how they were lied to and they gave their money as a
15 result of the lies that OneCoin was telling them.

16 Mark Scott is not charged with wire fraud. I want to
17 say it again because it's actually really, really important for
18 you to keep in mind during this trial. He is not charged with
19 wire fraud. He is not accused by the government of being a
20 part of a scheme to lie to members of the public about what
21 OneCoin was and trick them into buying it. The evidence will
22 show that Mark Scott had absolutely nothing whatsoever to do
23 with the sales and marketing of OneCoin. He played no role in
24 that whatsoever. So he's not charged with the wire fraud.

25 What is he charged with? He's charged with money

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1 laundering. And again, Judge Ramos will explain at the end,
2 but money laundering is a crime that involves taking in money
3 and doing things with it, when you know the money comes from a
4 crime. And the government's theory here is this money that
5 Mark Scott took in came from this wire fraud scheme that
6 OneCoin was running.

7 So again, Mark Scott's not charged with the wire
8 fraud. He's charged with laundering money that the government
9 says he knew came from a crime.

10 So the government talked a lot about all the e-mails
11 it's going to put on for you, all the witnesses. What will the
12 evidence show from all those e-mails and witnesses about
13 whether Ruja Ignatov ever brought Mark Scott in on what she was
14 doing, and the lies she was telling to investors? Will there
15 be any e-mails or evidence that say Mark Scott knew and
16 understood that OneCoin was a scam?

17 Watch the evidence as it comes in, ladies and
18 gentlemen. Because I submit there will not be any evidence
19 that shows that Mark knew or understood that.

20 There is another charge that he's facing here, and I
21 want to talk about it briefly because it's something -- again,
22 you'll listen to Judge Ramos at the end, but it may not mean
23 what you think it means. He's charged with conspiracy to
24 commit bank fraud. And the government talked about lies and
25 lies he told to everyone. Well, the bank fraud charge relates

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1 to banks in the U.S. that are insured by the FDIC. That's what
2 the bank fraud charge relates to, and you're going to hear
3 evidence from the government, witnesses from banks, from FDIC
4 insured institutions in the U.S., talk about accounts that made
5 transfers and transactions. Please listen to that evidence
6 carefully, because what you are going to find, ladies and
7 gentlemen, is the accounts at issue they are not Mark Scott's
8 accounts. They're not accounts Mark Scott had anything to do
9 with. They are not his funds' accounts. They are accounts of
10 other people. Other people who invested some money with Mark
11 Scott. So when you listen to that testimony, this is a bank
12 fraud, how did Mark Scott help in this conspiracy to defraud
13 these FDIC insured institutions. You're going to find there is
14 no evidence, no evidence at all, that he was part of any plot
15 to lie to those institutions.

16 So those are the charges. And now I want to move on
17 to what the evidence will show. I'd like to do it, I think
18 it's easiest to do in five chapters, so if we can put that on
19 the screen. You have something on your screens? Okay. And
20 don't worry, they're short chapters.

21 But the first chapter, chapter one is Ruja creates
22 OneCoin. And she does it without Mark Scott. And I think it's
23 important to kind of get this timeline in mind a little bit.
24 So it's back in 2014, and Ruja Ignatov and a co-founder of
25 OneCoin, Sebastian Greenwood, create this cryptocurrency, or

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1 fake cryptocurrency as it turns out. And you'll learn that
2 this was like at the height of a boom of cryptocurrencies. It
3 was going to be the greatest thing ever.

4 You are going to learn something during this trial
5 about what cryptocurrencies are. I think some of you answered
6 you heard something about it when you were selected as jurors.
7 But you are going to learn more about it. I am not going to
8 get into all of it now. I want to make a couple of points that
9 I think the evidence will show that you'll learn about.

10 So, forget crypto, right. Currency is kind of a
11 really weird concept when you think of it. If I actually have
12 money in my wallet, if I took out a green piece of paper. Why
13 does anyone take this? Right? It's a green piece of paper.
14 And people will take it from me, really only because you can
15 give it to someone else who will take the green piece of paper.
16 A currency is a currency that has value to other people who
17 agree it has value.

18 There is another feature of a currency. That green
19 piece of paper, it's got all these threads on it and security
20 features. If someone can run it through a photocopy machine --
21 my colleagues at the government table would have a problem with
22 that, so don't try that, please -- it wouldn't have much value.
23 You couldn't tell what's real and what's fake. So
24 cryptocurrency, you'll learn, is a lot like that. A
25 cryptocurrency created through --

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1 MR. FOLLY: Objection, your Honor.

2 THE COURT: Overruled.

3 MR. DEVLIN-BROWN: -- through math. And if I was good
4 at math, I wouldn't probably be a lawyer. But it's created
5 through math. You'll learn more about that. It has these same
6 basic features. One is it has value if other people think this
7 cryptocoin has value. And two -- this is really important --
8 just like money, paper money, it's got to have a security
9 feature. There's got to be something about a cryptocurrency
10 that lets people understand this coin here is real or bitcoin
11 or whatever you are going to call it, and there is a record of
12 how it's transferred and who has that. And that's called a
13 blockchain.

14 Again, I don't need to get into the technical details.
15 You will hear a little more about it at the trial. The
16 important thing to keep in mind is for a cryptocurrency to be
17 real, it's got to have that blockchain. It's got to have the
18 blockchain. And the evidence is going to show that OneCoin
19 didn't have it. When Sebastian Greenwood and Ruja Ignatov
20 created it, there was no blockchain.

21 The evidence is also going to show they kept that a
22 very tight secret. They created illusions of a blockchain.
23 They even had computer programmers create what looked like a
24 simulation of a blockchain. They had a fake audit report about
25 a blockchain. They made it appear there was a blockchain, but

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1 there wasn't. The evidence will also show they kept that
2 secret very closely guarded.

3 How close, ladies and gentlemen? Well, the government
4 says they are going to bring as a witness her brother,
5 Konstantin Ignatov, who is going to testify. Konstantin
6 Ignatov, who took over OneCoin as the public face after Ruja
7 left, didn't know for a long time that there was no blockchain.
8 That's how tightly this secret was kept.

9 You are going to learn that secret was kept also from
10 Mark Scott. He didn't know OneCoin didn't have a blockchain.

11 I am going to move on to the next chapter. One small
12 point on Konstantin Ignatov, because the government said in
13 their opening he is going to talk about Mark Scott. Listen
14 carefully to what he says about Mark Scott. He met Mark Scott
15 once, you'll find out, in passing. He has some e-mails with
16 Mark Scott. That are almost all about logistics and travel.
17 Listen carefully to what he says about Mark Scott when he
18 testifies, because he knows almost nothing.

19 Let's go to chapter two where we bring Mark Scott into
20 the picture. So this is now the fall of 2015 for Mark Scott.
21 He has been a corporate lawyer, he works at this firm Locke
22 Lord, he's been there for a number of years. He's been
23 practicing in this area for like 20 years. And a former client
24 brings in Ruja Ignatov as a potential new law client. And Mark
25 Scott is hired through Locke Lord to help Ruja Ignatov deal

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1 with OneCoin's corporate structures, because the company
2 exploded in the last year, they have company structures all
3 over the place, and this is like bread and butter stuff for
4 Mark Scott. Because he's a corporate lawyer, that's sort what
5 was he does.

6 But you are also going to see, the evidence will show
7 that Mark Scott at that point in his career wanted to kind of
8 open up his own investment fund. He had been a corporate
9 lawyer on the sidelines helping other people set up deals and
10 other people make money. He wanted to run his own fund.

11 And so, just at this time in his life, when he wants
12 to open a fund and he needs someone wealthy to back him, Ruja
13 Ignatov offers to back his fund. And the evidence is going to
14 show this was a tough decision for Mark Scott. Because even
15 back then, even early on, it was clear to Mark, and it will be
16 clear to you when you see some of these e-mails, that Ruja
17 Ignatov was, to put it mildly, a difficult person to work for.
18 She was eccentric. Paranoid. She insisted on talking to
19 people on cryptophones so it couldn't be monitored. She was
20 someone who, the evidence is going to show, was much better at
21 giving orders than sort of taking advice. So it was a tough
22 decision.

23 But there is another lawyer from Locke Lord where Mark
24 Scott worked that enters into the picture here, and I don't
25 want to spend a lot of time on it, but the government didn't

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1 mention it and it is worth mentioning, because Ruja doesn't
2 just hire Mark Scott. She hires someone else at Locke Lord
3 called Robert Courtneidge. Robert Courtneidge has something
4 that Mark Scott doesn't, which is expertise in cryptocurrency.
5 So while she asks Mark to work on her corporate structure,
6 she's hiring this expert in cryptocurrency. You are going to
7 see e-mails that involve both Robert Courtneidge, hired to help
8 her with the cryptocurrency stuff, and Mark Scott, and Ruja,
9 and there is going to be no evidence -- look carefully at all
10 those e-mails -- there will be no evidence that Robert
11 Courtneidge, the expert, ever suggested to Mark Scott that
12 there were red flags or warning signs or anything about
13 OneCoin.

14 So Mark Scott then goes on, he decides he is going to
15 do it. He starts planning to leave his law firm job, he opens
16 up investment funds, and the evidence is going to show he did
17 everything exactly by the book. Number one, he hired law firms
18 who were expert in this sort of thing to register funds in the
19 British Virgin Islands.

20 Now, you might be saying, well, that sounds funky, the
21 British Virgin Islands. You'll learn at the trial that private
22 equity funds, it's quite common, especially when they make
23 money from a non-U.S. investor, to set up shop in the British
24 Virgin Islands.

25 He hired fund administrators. Their job basically is

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1 to screen the money coming into the fund to make sure that all
2 of it checks out. That the people who were sending the money
3 have all the right information. It's called KYC or know your
4 customer. He does that as well.

5 The third thing he does, and I think this is something
6 to focus on. He put everything in his own name. Every fund,
7 every management of the fund, there is a bunch of corporate
8 structures, they are all in his own name. It will show that
9 Mark Scott filled out the forms with these banks and the IRS so
10 that they would know that he had all these foreign bank
11 accounts. The evidence will show he took no steps to hide his
12 identity from these funds that he had set up.

13 So Mark Scott sets up these funds, and around June of
14 2016, the money starts coming in. And the evidence is going to
15 show that things went as expected at first. The fund
16 administrators and banks asked Mark and his investors for KYC
17 information, know your customer, and Mark provided it, and
18 you'll see lots of documents that he provided about the various
19 companies that were sending him money.

20 Now, the government says that Mark Scott never told
21 the fund administrators or the banks that the money was coming,
22 really, behind the companies, that there was really some
23 connection with Ruja and OneCoin.

24 You know what, ladies and gentlemen? The government
25 is right. The government is right about that. Mark Scott

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1 provided the information about the legal entities that were
2 sending him funds. He did not go out of his way and volunteer
3 that, by the way, these funds have connections to Ruja and
4 OneCoin. The evidence is going to show Ruja demanded
5 confidentiality. She was a private person. Mark Scott was an
6 attorney. And he did not reveal information about OneCoin as a
7 matter of practice.

8 But the government leaves something out here, because
9 the evidence is also going to show really clearly that when
10 questions came about, well, how does this company get its money
11 that just sent us the investments, we want to know, Mark Scott
12 disclosed it came from OneCoin. You'll see e-mails, he made
13 clear when the questions were asked, that it came from OneCoin.

14 So I think that's a concept you will have to listen to
15 as the evidence comes in. He's not volunteering information
16 comes from OneCoin. But's not lying about it either. There is
17 a distinction.

18 Okay. So I think that's it for the second chapter.
19 We can turn to the third. So, the oil deal crisis.

20 So, Mark starts getting the money in, as I said, in
21 June of 2016. And then he starts doing what an investment
22 manager would do, which is to make investments. One of the
23 investments that he liked was a \$60 million deal related to an
24 oil field in Madagascar. One of the reasons he liked it is
25 because Neil Bush was involved in the deal on the other side.

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1 You might be wondering "Bush?" Yeah, that Neil Bush. He is
2 the son of one president, the brother of another, brother of a
3 governor of Florida where Mark lived, and he was involved in
4 the deal.

5 So I mentioned before that Mark had hired these fund
6 administrators, right. One of them was called Apex. The
7 evidence will show that money came into the fund that Apex was
8 monitoring. They cleared all the investment coming in, they
9 signed off then on this \$60 million oil deal to Madagascar and
10 made the first payment. Made the first payment. Had two \$30
11 million payments. The first one was in mid-July. They signed
12 off and they paid it.

13 Then the second payment comes due, and you'll see
14 e-mails, lots of e-mails about this. Mark Scott contacts Apex
15 in early August, I think it is August 5, and says essentially
16 the second payment is due now, can we get that wire out, and
17 Apex says no. They are not going to send any wires out. And
18 you will see from the evidence, Mark is surprised by this. And
19 he asks Apex why not? And Apex says, well, we have questions.
20 You will see Mark answers those questions, and Apex says, well,
21 we have some more questions. And this actually goes back and
22 forth for about a week before there is that call which the
23 government mentioned where you are going to hear Mark at his
24 wit's end trying to get Apex to release money from -- and a
25 deal that they had already signed off on.

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1 Here's what the government didn't mention about that
2 recording with Apex and that situation with Apex. And it's
3 pretty interesting. You'll have to wait for testimony to get
4 the full story. But, Apex had decided about 10 days before
5 that call that they didn't want to do business with the Fenero
6 Funds -- that's the name of Mark's funds -- anymore. It's also
7 going to show they didn't just come out and tell Mark that.
8 Instead, they're just asking him these questions, he would
9 answer. Meanwhile, they'd already decided they are not doing
10 business with him anymore. And in fact, the evidence is going
11 to show they would prefer it if Mark were to fire them so they
12 don't have to deal with this anymore.

13 That's what the evidence will show about Apex that
14 leads up to this call where Mark is very upset and then
15 afterwards Apex is fired.

16 I think you should listen to that call. Apex, they
17 secretly recorded, so they don't know -- they know they are
18 being recorded. Mark Scott doesn't know he is being recorded.
19 So I think that's a very interesting call, and I encourage you
20 to listen to it when it's played. You will have to make a
21 judgment about whether it shows someone caught in the act or
22 whether it's someone who believes -- whether they're right or
23 not -- that they are.

24 Chapter four. Mark gets rid of Apex and things go
25 pretty smoothly at first. He has other fund administrators,

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1 other banks. But, as sort of it becomes fall, you'll see from
2 the evidence that Mark has doubt. As I said, the trial will
3 show he was a stubborn man at first, that he's loyal. But he
4 started having problems with Ruja that were too much for him.
5 You'll see evidence that in October of 2016, Mark asks Ruja for
6 information that he says he needs as a manager of registered
7 investment funds. You will see him saying I need to go visit
8 this fund for compliance that we invested in, Ruja, I need to
9 do that. And Ruja says no. There are a number of incidents
10 like that.

11 So in October 2016, Mark has had enough, and he stops
12 making any further investments in the funds, and he starts
13 making plans to return the funds to the investors. It takes a
14 while, and the government sort of makes it sound like he's
15 still involved in 2018. But by summer of 2017, he's returned
16 everything to the investors except for 1.25 million euro
17 litigation reserve, in case any of the funds that sent money in
18 to him have some problems down the line, that there would be
19 money to handle that dispute.

20 Let's go to chapter five. So, as I said,
21 October 2016, he wants out, and it takes a while for that to
22 happen. What does Mark do next? Well, the evidence will show
23 he moved on. He got married, he had a baby, he started
24 investing in other business ventures. The government talks a
25 lot about, well, he bought a yacht, he bought a boat, he bought

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1 a yacht, he bought properties. Some of them were investment
2 properties. The evidence will show some of these expensive
3 things bought were for investment purposes.

4 The government is right. The evidence will show that
5 investment managers get paid a huge sum of money. But the
6 evidence is going to show some other things about that as well
7 that I want you to pay attention to. One of the things Mark
8 spent his money on, one of these new business ventures was a
9 company he bought from an FBI agent who was running it on the
10 side.

11 What else is the evidence going to show about Mark's
12 money? He put it in accounts with his own name, he paid taxes
13 on that money. The documents, the e-mails, he had them all
14 here in the U.S. That's what the evidence will show about Mark
15 moving on.

16 So, I am going to sit down in a moment as well. The
17 prosecution gave you sort of three things to think about.
18 Listen to the law, the facts, and use your common sense. And
19 those are great points.

20 I want to give you three things to think about as well
21 before I sit down. And the first one is kind of obvious, but I
22 think, again, it is important. This is a criminal case. This
23 isn't a case about whether investors who bought OneCoin were
24 hurt, and who should have to pay them and whether Mark Scott or
25 whether other people should have to pay them. That's not this

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1 case. It is two federal felonies Mark is facing. That's a
2 criminal case.

3 That leads to my second point. Because it is a
4 criminal case, you'll bear in mind, the judge has instructed it
5 several times, the government has to prove everything beyond a
6 reasonable doubt. And the case is going to come down to, in a
7 large part, what was Mark thinking, what did Mark believe about
8 OneCoin and the money coming into his accounts.

9 MR. FOLLY: Objection.

10 MR. DEVLIN-BROWN: There was an objection.

11 THE COURT: There was? I didn't hear it. It's
12 overruled.

13 MR. DEVLIN-BROWN: Thank you. I'm almost done.

14 So it's going to be about, you are going to have to
15 climb into Mark's head to see events then.

16 That leads me to the third and final thing I want to
17 say. Just a good reminder as you listen to the evidence.
18 There is a saying hindsight is 20/20. What that means is
19 looking back in the rearview mirror, everything seems clear.
20 Perfectly clear. Living in the present, it's hard sometimes to
21 see -- much harder than in hindsight -- to see what's ahead of
22 you. That's going to be hard for you as members of the jury,
23 when you listen to the evidence, because you are going to hear
24 the FBI uncovered a massive fraud scheme. You are going to
25 hear people, the brother of Ruja Ignatov testify about it. And

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1 then you are going to see videos of the Ruja OneCoin
2 presentations, and it's going to be hard to take out of your
3 head, you know what you know now, what we all know now about
4 OneCoin, that people didn't necessarily know then when they
5 were giving Ruja their money.

6 But I think in order to do justice in this case, you
7 are going to have to try to put hindsight out of your heads.
8 You are going to have to try to see things, to do your duty,
9 really, you are going to have to try to see things as Mark saw
10 things unfold in 2015 and 2016 when he was involved in this.

11 I'm confident, ladies and gentlemen, that when you do
12 that, at the end of this case, you'll return the only verdict
13 that's really supported by justice and the evidence. And that
14 is that Mark Scott is not guilty on either count. Thank you.

15 THE COURT: Thank you, Mr. Devlin-Brown. Can I impose
16 upon maybe a couple of the lawyers or Mr. Barile to remove the
17 podium from that part of the courtroom.

18 MR. DiMASE: Judge, where would you like it?

19 THE COURT: Over there. And I would ask the
20 government to please call its first witness.

21 MR. DiMASE: Thank you, your Honor. The government
22 calls William Horn.

23 THE COURT: Mr. Horn, please step all the way forward
24 towards me and then to your right.

25 Mr. Horn, please remain standing once you step up into

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Horn - Direct

1 the witness stand.

2 WILLIAM HORN,

3 called as a witness by the Government,

4 having been duly sworn, testified as follows:

5 DIRECT EXAMINATION

6 BY MR. DiMASE:

7 Q. Good morning, Mr. Horn.

8 A. Good morning.

9 Q. This is a big courtroom, as the judge mentioned, so just I
10 know it's tough. If you can use the microphone, that would be
11 great.

12 Mr. Horn, where do you live?

13 A. Cookeville, Tennessee.

14 Q. Could you tell the jury where that is in relation to other
15 big cities in Tennessee?

16 A. Cookeville is located about -- it's on I-40, about halfway
17 between Nashville and Knoxville.

18 Q. About how far is it from Nashville?

19 A. 65 miles either way.

20 Q. How old are you, Mr. Horn?

21 A. 76.

22 Q. Are you married?

23 A. Yes.

24 Q. Do you have children?

25 A. Yes.

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Horn - Direct

1 Q. Do you have any grandchildren?

2 A. Yes.

3 Q. Are you currently caring for any dependents, Mr. Horn?

4 A. Caring -- I've had full custody of the 18 year old for 18
5 years. And I've got a 10-year-old granddaughter that's in the
6 fifth grade at elementary school. We have full custody of her.

7 Q. And the 18 year old, is that also a grandchild?

8 A. Yes.

9 Q. They both live with you?

10 A. Yes.

11 Q. What do you currently do for a living?

12 A. I am involved in Medicare enrollments for seniors such as
13 myself.

14 Q. How do you get paid for that?

15 A. Commissions only.

16 Q. For signing people up?

17 A. Yes.

18 Q. Mr. Horn, are you familiar with the term MLM or multilevel
19 marketing?

20 A. Yes, I am.

21 Q. Have you or your wife ever been involved in the past in
22 multilevel marketing sales organizations?

23 A. Yes.

24 Q. When were you or your wife first involved in a multilevel
25 marketing organization?

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Horn - Direct

1 A. That would be early 1971, '72.

2 Q. What was that organization, if you can recall?

3 A. It was called a company by the name of Holiday Magic.

4 Q. What kinds of things did they sell?

5 A. Makeup.

6 Q. Were or your wife involved in any other multilevel
7 marketing sales organizations after that?

8 A. Yes. Two or three years after that with Herbal Life.

9 Q. Did you and your wife earn any profit from participating in
10 those two organizations?

11 A. No.

12 Q. Are you familiar with a company called OneCoin?

13 A. Yes, I am.

14 Q. Is that also a multilevel marketing organization?

15 A. Yes.

16 Q. How did you first become aware of OneCoin?

17 A. I was acquainted very casually with a fellow I met at a
18 local electronic store. And after about the third contact, we
19 talked, I was in the market for a TV, and he told me what he
20 did, that that job was just temporary. His real money was
21 being made with a company called OneCoin.

22 (Continued on next page)

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Horn - Direct

1 Q. With what? I'm sorry. I couldn't hear you.

2 A. His real money was made with a company by the name of
3 OneCoin.

4 Q. What was this individual's name.

5 A. James West.

6 Q. When did he start talking to you about OneCoin,
7 approximately?

8 A. It was in 2015. Like October, November. That time period.

9 Q. Could you briefly tell the jury some of the things that
10 Mr. West told you at that time about OneCoin.

11 A. Well, it was a period of time when the term -- the product
12 called cryptocurrency was coming on the scene making some big
13 waves with other companies. He was making money, more money
14 than he ever made before.

15 Q. What did he say that OneCoin was selling?

16 A. Cryptocurrency.

17 Q. And what did he tell you about it as a potential investment
18 opportunity?

19 A. It was the greatest thing going. It was -- there was a lot
20 of money to be made. They said that they would be -- it was
21 the bitcoin killer.

22 Q. Were you familiar with bitcoin at that time, Mr. Horn?

23 A. Very briefly.

24 Q. What did you understand the value of bitcoin at around that
25 time?

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Horn - Direct

1 A. Bitcoin per unit, on a per unit, per piece basis was like a
2 dollar-and-a-half per bitcoin.

3 Q. Rather than talking about OneCoin for the moment let's
4 focus on bitcoin. Did you have and understanding about bitcoin
5 at that time?

6 A. I'm sorry. I thought you were asking about bitcoin. Yes,
7 I did. Very. But the value was generated internally by the
8 company so it could be anything they wanted it to be.

9 Q. Are you speaking now about OneCoin or bitcoin?

10 A. About OneCoin.

11 Q. Let's focus on bitcoin for a moment. Were you familiar
12 with the value of bitcoin at that time?

13 A. Sorry.

14 Q. That's OK.

15 A. Yes. Through a very small degree, on what was on -- mostly
16 talked about on NPR radio.

17 Q. Were you aware of the large increase in bitcoin in value at
18 around that time?

19 A. Bitcoin, yes.

20 Q. So after hearing about OneCoin from Mr. West did you
21 invest?

22 A. Yes.

23 Q. How much did you invest initially?

24 A. I did not want to invest anything but it was obvious I
25 couldn't get him to go away, so to speak, leave me alone. I'm

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Horn - Direct

1 not interested. I had five one hundred dollars bills and gave
2 it to him and said leave me.

3 Q. Cash?

4 A. Cash.

5 Q. What did you get in return for that investment?

6 A. It was a starter package that they referred to and for that
7 you got something like -- my memory is a little faulty because
8 it has been a few years. You got tokens in the amount of maybe
9 six thousand dollars.

10 Q. So you got some tokens with the package; is that right?

11 A. Right.

12 Q. And how could tokens be used to get OneCoins?

13 A. You put the tokens into a process they call mining, such as
14 gold mining.

15 Q. And then you would get OneCoins on the other end?

16 A. What would magically appear would be OneCoins.

17 Q. Let me now direct your attention to early January of 2016,
18 specifically January 2. What happened that day?

19 A. There was a rollout, they referred to it as a rollout for
20 North America held at the Pearson Hotel at Nashville, at -- on
21 the grounds of the airport and they had a big gathering.

22 Q. When you say rollout, is that a rollout of OneCoin in the
23 United States?

24 A. Yes.

25 Q. And who was leading that event?

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Horn - Direct

1 A. A couple of young fellows from South Florida by the name of
2 Maurice Katz, spelled with a K-A-T-Z. Sal Leto L-E-T-O. And
3 local man by the name of Bob Byron.

4 Q. How many people approximately attended that event?

5 A. Approximately 300.

6 Q. And could you briefly summarize some of the things that the
7 speakers at that event said about OneCoin?

8 A. They said that the bottomline if you put money into this
9 it's going to grow like wild fire, make a lot of money off of
10 it.

11 Q. Are you familiar with a person named Ruja Ignatova or the
12 name Ruja Ignatova?

13 A. Ruja Ignatova was the founder and CEO of OneCoin.

14 Q. Did you ever meet her?

15 A. No.

16 Q. What did you learn about her from other people within the
17 OneCoin organization?

18 A. She was a very bright, intelligent person, two master's
19 degrees. I forget the exact field of endeavor the master's
20 were in.

21 Q. What was your impression of her based on what you heard?

22 A. Very believable.

23 Q. Was that the only OneCoin event you attended in 2016,
24 Mr. Horn?

25 A. 2016 there was -- the first one referred to on January 2.

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Horn - Direct

1 The next one.

2 Q. Did you attend other events in that year?

3 A. There was one in Houston, Texas which --

4 Q. Did you go to that one?

5 A. Yes.

6 Q. Did you go to some others in your local area as well?

7 A. Very local area at the -- a meeting room in the Holiday Inn
8 attended by the maximum of maybe ten people. Most of those
9 were people that already signed up.

10 Q. And were there any particular rules for people who attended
11 those events, Mr. Horn?

12 A. Yes. Lose your cellphone. Do not bring the cellphone. If
13 you're caught using your cellphone in that meeting hall we'll
14 take it. You could not record audio or video at these
15 meetings.

16 Q. Did anyone tell you why?

17 A. They had not been accepted through the SEC, Securities and
18 Exchange Commission, in North America.

19 Q. Meaning you had an understanding of OneCoin was not
20 authorized by the SEC in the United States?

21 A. They were viewed as selling unsecured securities,
22 unregistered.

23 Q. What was your understanding, Mr. Horn, of how the
24 commission structure for OneCoin worked?

25 A. It was ten percent of the total package that you were able

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Horn - Direct

1 to sell that was paid out. Say, for instance, a five thousand
2 dollar package, the commission would be ten percent of that so
3 it will be five hundred dollars. And that was broken down into
4 a 60/40 arrangement. Where 40 percent -- I may have it
5 backwards but substantial amount of what you earned had to be
6 left in the, what they called the back office in your account.

7 Q. So that you couldn't get it in cash?

8 A. Right.

9 Q. But some portion you were told you could get in cash; is
10 that right?

11 A. I'm sorry?

12 Q. Some portion you were told you would be able to get in
13 cash; is that right?

14 A. Yes.

15 Q. And you mentioned the back office. What does that refer
16 to?

17 A. It's an area of the OneCoin, the website where only you
18 could gain access through a properly registered --

19 Q. So you can log into this part of the website using your
20 password and username?

21 A. Yes. You were the only one that could get in there. It
22 wasn't available to the public.

23 Q. What did you decide to do, Mr. Horn, after attending that
24 January 2016 OneCoin event? Did you invest more?

25 A. Invest more money, yes. You couldn't lose.

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Horn - Direct

1 Q. When you registered with OneCoin what were you told to say
2 regarding where you lived?

3 A. We were told in addition to your regular address you were a
4 resident of U.S. Virgin Islands.

5 Q. Did anyone say why you should report that you were a
6 resident of the U.S. Virgin Islands?

7 A. That was because they were not registered in the United
8 States as a legitimate concern.

9 Q. The same issue you were talking about before regarding the
10 recording of events, the SEC authorization?

11 A. Yes. Like sheep to a slaughter we said U.S. Virgin
12 Islands.

13 Q. So let me show you Government Exhibit 2803 and at this
14 point if you would grab a binder sitting there to your left and
15 Mr. Barile if you could just show --

16 A. You say 2803?

17 Q. Yes. Please.

18 A. This document was printed off. It was a money that was
19 being sent to a bank in Germany.

20 Q. Mr. Horn, let me pause you for one minute. Do you
21 recognize this document here, 2803?

22 A. Yes.

23 Q. Is this a bank document showing a wire transfer that you
24 made?

25 A. Yes.

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Horn - Direct

1 Q. And when was that -- was that in connection with the
2 OneCoin package purchase?

3 A. Yes, it was.

4 Q. When was that?

5 A. I'm looking here. January 20, 2016; a.m.

6 MR. DiMASE: One moment, Mr. Horn.

7 Your Honor, the government offers Government Exhibit
8 2803 into evidence.

9 MR. GARVIN: No objection.

10 THE COURT: 2803 will be received.

11 (Government's Exhibit 2803 received in evidence)

12 MR. DiMASE: Mr. Barile would you please publish that
13 to the jury.

14 Q. How much did you wire for a OneCoin package on January 20,
15 2016?

16 A. That would be \$20,570.75.

17 Q. And which bank did you sent that money from? In other
18 words, what -- where did you have your account where you sent
19 the money from?

20 A. It was American Bank and Trust of the Cumberlands.

21 Q. And what was the name of the company that you sent the
22 money to?

23 A. The beneficiary would be referring to would be IMS GmbH.

24 Q. And where was that company located?

25 A. Heiligenhaus -- my German is very poor -- Germany.

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Horn - Direct

1 Q. Do you remember what you told the bank about the reason for
2 this wire transfer, your own bank?

3 A. It was for educational purposes, educational documents and
4 training.

5 Q. And why did you tell the bank that that was the purpose of
6 the wire?

7 A. Well, number one, we were told that the wire would probably
8 not take place if the true nature of the money being spent was
9 said to the bank. So we --

10 Q. Were you told by people at OneCoin to tell the bank it was
11 for educational materials?

12 A. Yes.

13 Q. Let me now show you what's been marked as Government
14 Exhibit 2810 in your binder. If it's easier for you, Mr. Horn,
15 you can also look at the screen, whichever is easier for you.

16 A. The screen is probably easier.

17 Q. OK.

18 MR. DiMASE: Mr. Barile, if you wouldn't mind
19 scrolling through the pages of this exhibit for Mr. Horn
20 briefly.

21 THE WITNESS: Yes.

22 Q. Do you recognize that document, Mr. Horn?

23 A. Yes.

24 Q. What is it?

25 A. It was a document that was part of the back office with

JB59SCO2

Horn - Direct

1 what they referred to, different packages or levels of
2 investment. Like the one we're on right now shows a Festival
3 Package.

4 Q. So these were the different packages that you could buy at
5 OneCoin?

6 A. Yes.

7 Q. And you said you saw this on the OneCoin website; is that
8 right?

9 A. Yes. But this was not available for the general public.

10 Q. It was in the back office?

11 A. Right.

12 MR. DiMASE: Your Honor, the government offers Exhibit
13 2810 into evidence.

14 THE COURT: Any objection?

15 MR. GARVIN: No objection.

16 THE COURT: 2810 will be received.

17 (Government's Exhibit 2810 received in evidence)

18 Q. Mr. Horn, the first page here, what does this page show?

19 A. It goes by the name of a Festival Package which at that
20 time was one of the larger packages that one could -- that a
21 person could invest in.

22 Q. Is this the package that you purchased in January of 2016
23 for over \$20,000?

24 A. Yes.

25 Q. And it says here it comes with 275,000 tokens. Do you

JB59SCO2

Horn - Direct

1 recall getting tokens with this package?

2 A. That was the amount that the company credited on your back
3 office as the tokens that would eventually go into mining and
4 produce wonderful amounts of money.

5 Q. OneCoins, right?

6 A. OneCoins, yes.

7 Q. Did you receive anything other than tokens with the
8 Festival Package?

9 A. We received a link to access the so-called educational
10 material which you were to read, take a few tests. It was
11 sufficient enough for them to meet the KYC requirements.

12 Q. With respect to these educational materials that you
13 received, did you look at them?

14 A. Yes, I did.

15 Q. And what did you later learn about the educational
16 materials that you received from OneCoin?

17 A. I had seen part of it on various websites. It looked to me
18 like that they had taken and plagiarized this material and took
19 credit for it and posted it on the internet.

20 Q. So just to break that down. Are you saying that you found
21 the text that was in the educational materials on other places
22 on the internet that you reviewed?

23 A. Other places, yes, but I can't remember -- at the time it
24 just -- I did not make note of it but I --

25 Q. You later saw that?

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Horn - Direct

1 A. Sorry?

2 Q. You saw that later?

3 A. Yes.

4 Q. And based on that you believe that the materials may have
5 been plagiarized? Is that what you're saying?

6 A. They might have very well been.

7 Q. I'm going to show you now, going back to the January
8 transaction, Government Exhibit 2804 for identification. Do
9 you recognize that document, Mr. Horn?

10 A. Yes.

11 Q. What is it?

12 A. That was a document showing pertinent information about
13 money I withdrew.

14 Q. Is this related, Mr. Horn, to the January 20, 2016 transfer
15 you made to Germany?

16 A. Yes, it is.

17 Q. And does this document come from your bank, the same bank
18 you made the transfer from?

19 A. Yes, it does.

20 MR. DiMASE: Government offers Exhibit 2804 into
21 evidence.

22 MR. GARVIN: No objection.

23 THE COURT: 2804 will be received.

24 (Government's Exhibit 2804 received in evidence)

25 Q. Who is up in the top left-hand column, Azura Collins, who

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Horn - Direct

1 is that?

2 A. Azura is my granddaughter. She's ten years old.

3 Q. She's one of the two grandchildren that you take care of
4 right now?

5 A. Yes.

6 Q. What does this document show regarding where that money,
7 the \$20,000 came from that you sent to her?

8 A. It shows that on January 20 of 2016 I had made an order
9 for -- to the bank, \$20,570.75. This was just an order we
10 placed.

11 Q. Why does it have your granddaughter's name on it?

12 A. We were creating a little savings account for her education
13 later.

14 Q. So the account that this money came from was an account you
15 had set up for your granddaughter for her education?

16 A. That's correct.

17 Q. Were you the only person in your family who invested in
18 OneCoin?

19 A. No.

20 Q. Who else did?

21 A. Two younger brothers and a sister.

22 Q. Did you bring them in?

23 A. I explained everything to them about cryptocurrency that I
24 had my limited knowledge at that time. I told them to be very
25 careful.

JB59SCO2

Horn - Direct

1 Q. But, Mr. Horn, at the end of the day were you the one who
2 brought them in?

3 A. Yes.

4 Q. Did you receive any money in commissions for bringing them
5 in that you can recall?

6 A. We received a commission that was posted or credited to our
7 back office.

8 Q. In what form, do you remember? Was it money or tokens?

9 A. Tokens.

10 Q. I'm going to show you Government Exhibit 2811 for
11 identification.

12 A. OK.

13 Q. Now, Mr. Horn did you make any additional investments into
14 OneCoin after that \$20,000 investment in January of 2016?

15 A. Yes.

16 Q. Looking at --

17 MR. DiMASE: If you could just scroll through the
18 pages, Mr. Barile, of 2811.

19 Q. Do you recognize this document, Mr. Horn?

20 A. Yes.

21 Q. Is this an order form related to another OneCoin investment
22 you made?

23 A. This was in the amount of \$6,062.60.

24 Q. Is this an order form related to that particular
25 transaction?

JB59SCO2

Horn - Direct

1 A. Yes, it is.

2 Q. To be clear, is this a document from the bank or is it a
3 document -- an order form from a OneCoin-related entity?

4 A. This was from the OneCoin organization and said exactly
5 where the money was to be wired to from the bank.

6 Q. And so after you placed this order and got the invoice it
7 was then that you would go to the bank and send the money; is
8 that right?

9 A. Yes. That's correct.

10 MR. DiMASE: Government offers exhibit 2811.

11 MR. GARVIN: No objection.

12 THE COURT: 2811 will be received.

13 (Government's Exhibit 2811 received in evidence)

14 MR. DiMASE: Mr. Barile, could you scroll a couple of
15 pages.

16 Mr. Barile could you go to the page showing the
17 investment amount.

18 Q. Mr. Horn, looking at the top of this page how much was this
19 invoice for?

20 A. At that time it was \$6,062.60.

21 Q. What did you buy on this occasion?

22 A. That was called a Typhoon Academy Package. It was a
23 smaller package.

24 Q. Smaller than the Festival Package you bought at the
25 beginning?

JB59SCO2

Horn - Direct

1 A. That's correct.

2 MR. DiMASE: Mr. Barile, could you now turn to page
3 six of this document, please.

4 Q. Now, did this document contain some instructions, Mr. Horn,
5 regarding what to say or not to say to the bank about your
6 transfer?

7 A. Yes, it does. I'll read this.

8 Q. Could you read this, the part under step two.

9 A. It says in part: Do not include words like OneCoin
10 investment, digital currency or cryptocurrency. Using these
11 words or similar will cause your bank wire to be rejected and
12 funds will be returned.

13 Q. Why don't you go to the -- not the dash after that one but
14 the one starting "if you are asked." What does that say?

15 A. Is that the same page?

16 Q. Yes.

17 A. If you are asked what is the purpose of this wire transfer
18 you can simply state educational training package. No other
19 information will be required.

20 Q. And is that consistent with the instructions you had
21 received about the earlier January 2016 wire transfer?

22 A. Same thing.

23 Q. Did you ever have trouble making a transfer of money to
24 OneCoin?

25 A. We did once. It was a junior officer of the bank.

JB59SCO2

Horn - Direct

1 Q. Which bank was that?

2 A. American Bank & Trust.

3 Q. And what happened?

4 A. Money was not sent.

5 Q. Did you have a discussion with this junior officer at the
6 bank?

7 A. Yes.

8 Q. Why did they say that you couldn't send the money?

9 A. He said that there was something fishy about all of this
10 and basically I'm trying to protect you from yourself.

11 Q. Were you able to send this particular wire, this six
12 thousand that was referred to in this order form?

13 A. At a later date I did successfully send it to Germany.

14 Q. I will show you Government Exhibit 2812 for identification.

15 Do you recognize that document, Mr. Horn?

16 A. Yes, I do.

17 Q. What is it?

18 A. It is an order for \$6,062.60.

19 Q. And is this a bank document reflecting a wire transfer you
20 made?

21 A. This is the -- what was sent on the particular day,
22 particular place and the dollar amount.

23 Q. What was the date?

24 A. Was that the one for --

25 Q. Do you see the date there at the top on the screen,

JB59SCO2

Horn - Direct

1 Mr. Horn?

2 A. Yes. February 23 of 2016.

3 MR. DiMASE: Government offers Exhibit 2812.

4 MR. GARVIN: No objection.

5 THE COURT: 2812 will be received.

6 (Government's Exhibit 2812 received in evidence)

7 Q. So this document shows you sent how much on this occasion?

8 A. \$6,062.60.

9 Q. And on this occasion where did you send the money?

10 A. It went to an organization by the name of Secure Point
11 Corporation in Lynbrook, New York.

12 Q. This was for that same Typhoon Academy Package?

13 A. To my recollection it was the one that did not get sent
14 earlier.

15 Q. This wire did get sent, this particular --

16 A. Yes. Right.

17 Q. Let me now turn to the back office environment that you
18 were describing before. Could you please look at Government
19 Exhibits 2817 and 2817A.

20 A. Yes. I recognize that.

21 Q. What are those documents, Mr. Horn?

22 A. That is an area of the back office website that everyone
23 had access to that had their -- a legitimate back office or a
24 reason to be there called the dashboard. It shows the token
25 amounts, certain areas --

JB59SCO2

Horn - Direct

1 Q. Does it show the number of coins you had at that point as
2 well?

3 A. Yes.

4 Q. Are these two exhibits showing your dashboard in the back
5 office?

6 A. It must have been because I didn't have access to anything
7 else but mine.

8 Q. What was the date of the back office screenshots here? If
9 you look at the lower right-hand corner.

10 A. February 28 of 2016.

11 MR. DiMASE: Your Honor, the government offers
12 Exhibits 2817 and 2817A.

13 MR. GARVIN: No objection.

14 THE COURT: Those exhibits will be received.

15 (Government's Exhibits 2817 and 2817A received in
16 evidence)

17 Q. Let's just show 2817A to the jury.

18 Mr. Horn just to be clear did you have just one
19 account with OneCoin or did you wind up having more than one?

20 A. I had multiple accounts.

21 Q. Did each package you purchased result in a new account?

22 A. Yes.

23 Q. So this shows just one of your accounts; is that correct?

24 A. That's correct.

25 Q. How many OneCoins does it show you had at this time on

JB59SC02

Horn - Direct

1 February 28, 2016 in this account?

2 A. It says 250 OneCoin. Showing zero.

3 Q. By the way, do you remember putting the white labels on
4 this particular document at some point?

5 A. Yes. They did not have the ability on the website to print
6 off blank dashboards, so I was trying to create a
7 blank dashboard so I could put figures in there to estimate
8 what -- I don't recall exactly how they told us to -- how to
9 estimate the tokens that would turn into coins but I did put --
10 it wasn't whiteout. It was white strips.

11 Q. You were trying to make one that was clean so you could
12 write in it yourself?

13 A. That's correct.

14 Q. What was your understanding of the value of OneCoin?

15 A. At that time it was approximately -- there was a graph that
16 showed, internally produced graph which --

17 Q. Why don't we look at that. I will show you Government
18 Exhibit 2801 for identification.

19 A. Yes. I recognize that.

20 MR. DiMASE: Ms. Rivera, I think there may be a way to
21 erase these blue marks from where you are, if that's possible.
22 Thank you.

23 Q. Mr. Horn, do you recognize 2801?

24 A. Yes.

25 Q. What is that?

JB59SC02

Horn - Direct

1 A. It was a graph that showed a hypothetical value. It had to
2 be hypothetical because we were in like June or July at the
3 time and this graph projected itself out to February the
4 following year.

5 Q. Do you know if that's February 2016 on the graph or 2017 as
6 you sit here today?

7 A. 2016.

8 Q. And where did you get this document or where did you see
9 this document?

10 A. It was printable in the back office.

11 Q. OneCoin website?

12 A. Yes.

13 MR. DiMASE: Government offers 2801.

14 MR. GARVIN: No objection.

15 THE COURT: 2801 will be received.

16 (Government's Exhibit 2801 received in evidence)

17 Q. So this shows the increasing value of OneCoin over a number
18 of months?

19 A. Yes. That's true.

20 Q. Did you ever -- during the time that you were investing in
21 OneCoin did you ever see the value of OneCoin go down?

22 A. Never.

23 Q. What were you told about how the value of OneCoin was
24 determined?

25 A. It would be determined by the laws of supply and demand.

JB59SCO2

Horn - Direct

1 Q. What, if anything, were you told about your ability to
2 exchange your OneCoins for other fiat currencies or regular
3 currencies?

4 A. Instead of having a fiat currency you could exchange them
5 the best way would be on a debit card.

6 Q. Do you remember any discussion about an exchange being set
7 up by OneCoin?

8 A. Yes. They were -- when prompted they were told -- they
9 were in the process of gaining access or entrance on the forex,
10 which is the foreign exchange, and multiple exchange would not
11 be privately owned or controlled but that's where everything
12 was going to happen, just hang on, wait, it will happen.

13 Q. Wait until there's an operational exchange --

14 A. That's right.

15 Q. -- running?

16 A. That's correct.

17 Q. What did you understand you would be able to do on in that
18 exchange once it was running?

19 A. Take our earnings or our profit out and use it --

20 Q. Trade it for other currencies?

21 A. Buy other currencies or if they had a proper merchant
22 platform which is merchant platform would be a regular store,
23 would sell anything as long as they would accept your coins.

24 Q. Did that exchange ever get opened while you were investing
25 with OneCoin?

JB59SCO2

Horn - Direct

1 A. It never to this date is not opened.

2 Q. What about a merchant platform?

3 A. Nothing. Same way.

4 Q. Were you ever able to use your OneCoins to buy anything at
5 all?

6 A. Nothing.

7 Q. Are you familiar with the concept of OneCoin splits?

8 THE COURT: Actually it's eleven o'clock, Mr. DiMase,
9 so we're going to take our morning break. Ladies and gentlemen
10 we'll reconvene promptly in fifteen minutes. Please do not
11 discuss the case.

12 (Jury not present)

13 THE COURT: Mr. Horn, you've may step down. Please
14 watch your step as you step down.

15 Any work for me?

16 MR. GARVIN: Nothing your Honor.

17 THE COURT: Fifteen minutes. Don't be late, folks.

18 (Recess)

19 (Jury present)

20 THE COURT: Mr. DiMase.

21 MR. DiMASE: Thank you, your Honor.

22 BY MR. DiMASE:

23 Q. Mr. Horn.

24 A. Yes.

25 Q. Going back to your investment of a little over six thousand

JB59SCO2

Horn - Direct

1 dollars in February of 2016. Could you tell the jury how you
2 put together the money to make that investment?

3 A. Yes. I had at that time what my kids, my grandchildren
4 would say, was wearing a piece of bling. It was a gold chain
5 that weighed -- it was heavy, a Cuban link. I pawned it.

6 Q. Whose chain was it? I'm sorry.

7 A. Mine.

8 Q. Yours? What did you do with it?

9 A. It was not in my character to wear that kind of stuff. So
10 I took it and sold it to a pawn shop for \$1,800.

11 And I have a friend who is a building contractor out
12 in the county where I live. He wanted my truck. I had a first
13 year, it's a Dodge dually truck came out. I didn't need the
14 truck. I wanted to get rid of it. I think it was -- he gave
15 me \$3,500 for it. And he had to tow it away. So it was doing
16 me no good. It was an asset that was doing me no good.

17 So what's that 18 plus -- there was a portable
18 generator, a new one, that I had leftover for some items from
19 an auction and that made up about a thousand dollars. So he
20 gave me cash out of his bib overalls. He was a character.

21 But, anyhow, it was about six thousand dollars there.
22 I thought it would do me more good to invest it than it just
23 sitting outside in the rain and snow. So I did it. And that's
24 how we generated that cash.

25 Q. It is a little hard to hear you so I'm going to ask you to

JB59SCO2

Horn - Direct

1 speak a little more into the microphone.

2 A. Will do.

3 Q. Thank you. So essentially you sold your chain, an old
4 truck, and a generator to put together the money?

5 A. That's correct.

6 Q. Are you familiar with the concept of OneCoin splits?

7 A. A split. Yes. I am.

8 Q. And who told you about splits?

9 A. Well it was very common knowledge around the meetings that
10 they were having, everybody was talking daily, almost hourly.
11 A split would occur when the ill-conceived notion of the value
12 of the coin reached a percent -- I'm trying to remember exact
13 words they said. It's whenever the barometer reached a hundred
14 percent a split could occur at any time and it was a way to get
15 people to invest more money faster, more frequently.

16 Q. What would happen when a split occurred?

17 A. The value that you had in the coin, if it was ten thousand,
18 twenty thousand, everything would double, the value.

19 Q. Let me go back to 2817A, if you could publish that again,
20 Mr. Barile.

21 This is the back office again?

22 A. Yes.

23 Q. Do you see where it says split barometer down there at the
24 bottom?

25 A. Yes. I see that.

JB59SCO2

Horn - Direct

1 Q. Is that what you were referring to when you said that there
2 was a barometer?

3 A. Yes. I think this one here showed what 91 percent,
4 something.

5 Q. What would happen when that split barometer hit a hundred
6 percent? Is that when the amount -- the value would double?

7 A. That's when the magic would occur.

8 Q. How was that used by OneCoin promoters to market the
9 packages that they were selling?

10 A. It was used -- there's a term referred to as FOMO F-O-M-O,
11 fear of missing out. Nobody wants to miss out on the magic
12 that would happen to your -- I call it magic. It was lies.
13 They never had a blockchain, never had one. And that's what
14 makes everything run. But they never had one.

15 Q. And it was -- so the split barometer approaching a hundred
16 percent would be something that would want to make people get
17 in fast? That is what you were talking about?

18 A. For fear that they would miss out on the grandiose idea of
19 investment.

20 Q. And doubling their money?

21 A. Yes.

22 Q. Let me show you Government Exhibit 2816 for identification.
23 Do you recognize that document, Mr. Horn?

24 A. Yes.

25 Q. What is it?

JB59SCO2

Horn - Direct

1 A. It shows a thermometer with the various degrees I guess at
2 centigrade starting -- it didn't really -- there wasn't much
3 emphasis --

4 Q. Well is this a document relating to an announcement on a
5 split at one point?

6 A. An upcoming split, yes.

7 Q. Where did you find this document?

8 A. On the website.

9 Q. OneCoin website?

10 A. On the OneCoin website. Yes. That's correct.

11 MR. DiMASE: The government offers Exhibit 2816.

12 MR. GARVIN: No objection.

13 THE COURT: 2816 will be received.

14 (Government's Exhibit 2816 received in evidence)

15 Q. Turning to the second page of this document. Is that some
16 information from OneCoin about the rules around splits?

17 A. Yes.

18 Q. For example, can you read the paragraph starting with the
19 word "now." It's about four or five paragraphs down -- four
20 paragraphs down.

21 A. Now you have yet -- this is talking to us as the little
22 people out generating money -- now you have yet another
23 opportunity to take advantage of this split. If you have a
24 premium today, upgrade from premium to Festival Pack, our
25 latest time-limited offer and receive two more splits on top of

JB59SCO2

Horn - Direct

1 those you've got with the premium.

2 It got to the point where they were giving away the
3 farm and I knew that it was a fraud.

4 Q. We'll come to that in one moment.

5 As of February 2016 about how much had you invested in
6 total into OneCoin yourself?

7 A. Close to \$30,000.

8 Q. And after February 2016 did anyone else in your family
9 invest additional money?

10 A. At the time I don't think that my two brothers were -- had
11 invested any of their money and it was right at -- from
12 February 28, the next month or so, I told them to proceed with
13 caution, only invest what you can afford to lose.

14 Q. So they invested, your brothers?

15 A. Yes.

16 Q. Did your son later invest in around June 2016?

17 A. Yes.

18 Q. How much did he put in?

19 A. Six thousand dollars even.

20 Q. Going back to what you said a moment ago. Was there a
21 time, Mr. Horn, when you came to believe that OneCoin was
22 fraudulent?

23 A. Yes.

24 Q. About when did you start to believe that?

25 A. I think it was probably May or June 2016.

JB59SCO2

Horn - Direct

1 Q. Was it a little later than that after your son had
2 invested?

3 A. I'm sorry. Yes, it was. Late fall. It was November,
4 October area, timeframe.

5 Q. So sometime in later 2016?

6 A. Yes. Later in 2016.

7 Q. And what caused you to come to that conclusion?

8 A. Nothing in my years I've been on this earth that anybody
9 was going to make those fictitious gains with a little bit of
10 money. They were giving away so much that it couldn't be true.
11 It was a fraud. And I determined that. I did not publish that
12 in any way. It was just my thoughts. And I let my thoughts be
13 known.

14 Q. Was there anything else that you were doing around that
15 time that caused you to believe it might be fraudulent?

16 A. (No response).

17 Q. Did you do any research?

18 A. Oh, well. I did that daily. But I didn't dig deep enough.
19 They had been shut down several banks in China, Germany,
20 Austria, around like that.

21 Q. So just without going into too much detail you saw some
22 negative information available as well?

23 A. A lot of negative. There were haters, there were lovers of
24 the coin. For every lover there was two or three haters and
25 you just had to dig it all up and make your own conclusions.

JB59SCO2

Horn - Direct

1 Q. And you came to a conclusion that it was a fraud?

2 A. It was a fraud. Yes.

3 Q. What did you do?

4 A. (No response).

5 Q. Did you invest anymore money?

6 A. No. Never invested anymore money but invested a lot of
7 time digging.

8 Q. Did you go to anymore events?

9 A. No, I wanted to make sure -- the more I dug, the due
10 diligence I did after I found out that I had made a misstep
11 made me want to dig deeper.

12 Q. Sorry. Go ahead.

13 A. I just dug deeper and deeper. Didn't stop on page one of
14 the results. I went sometimes ten, fifteen pages deep on the
15 Google search engine.

16 Q. Did you report this fraud to anyone?

17 A. Yes. I called the field office in Nashville, Tennessee
18 which was just 60 miles from where I live.

19 Q. When you say the field office, the FBI field office?

20 A. The FBI field office.

21 Q. Did you wind up speaking to somebody?

22 A. I'm thinking that I had a recorded -- I left a recorded
23 message. They called me back and very, you can't get them to
24 talk about anything that's ongoing, which I understood. They
25 later did make an attempt to get with me. I think we got

JB59SC02

Horn - Direct

1 together briefly by phone.

2 Q. Was that this year, approximately when you finally got --

3 A. That was late, late 2016, at the very end of the year.

4 Maybe spillover into 2017.

5 Q. Were you reached out to again by the FBI this year?

6 A. (No response).

7 Q. And the IRS?

8 A. This year, yes. FBI, IRS, asked if I would relay my
9 thoughts to this court.

10 Q. Mr. Horn what happened to the money that you invested in
11 OneCoin?

12 A. Well it's gone. It's not to be had.

13 Q. Have you ever gotten a penny of it back?

14 A. No.

15 Q. How about your family that invested? Did they get any of
16 it back?

17 A. Nothing. They were the ones that could ill afford to lose
18 the money.

19 Q. How has the loss of the money affected you and your family
20 financially?

21 A. Well somewhat like other people they were afraid -- were
22 afraid, ashamed to admit that we were duped into investing
23 money and some people do it, just never tell anybody that they
24 spent thousands. I know of one case --

25 Q. I'm going to stop you there.

JB59SCO2

Horn - Cross

1 A. OK.

2 Q. How did it affect you and your family financially?

3 A. Well I'm in the sales business. And I pay -- I get paid
4 compensation for my effort and for the results. I just had to
5 work a little bit harder. Longer. Harder.

6 MR. DiMASE: One moment.

7 (Counsel confer)

8 MR. DiMASE: No further questions, your Honor.

9 THE COURT: Any cross-examination?

10 MR. GARVIN: Yes, your Honor. Thank you.

11 THE COURT: Mr. Garvin.

12 CROSS-EXAMINATION

13 BY MR. GARVIN:

14 Q. Good afternoon, sir.

15 A. Good afternoon to you.

16 Q. My name is David Garvin. I represent Mr. Scott in this
17 case. Sir, I only have a few questions.

18 Would it be fair to say that in or about 2015 you were
19 not looking to invest in any cryptocurrency when Mr. James West
20 came and started talking to you about it? Would that be fair
21 to say?

22 A. It would be fair to say that. But, also, I was closely
23 attuned to what was happening with OneCoin which was on a
24 legitimate exchange the amount of money that it was. But I
25 probably -- well I know that I should have gotten more

JB59SCO2

Horn - Cross

1 information, dug and I could have redirected that money
2 elsewhere.

3 Q. Yes.

4 A. Into legitimate sources.

5 Q. And James West I believe you say that ultimately you gave
6 him five hundred dollars; is that correct, sir?

7 A. Yes. It is. I gave him five one-hundred-dollar bills
8 hoping he would just go away and stay away.

9 Q. The way that OneCoin's system is set up it's a multilevel
10 marketing, correct?

11 A. That's correct.

12 Q. And that means that James West probably got a commission
13 for convincing you to invest in OneCoin, correct?

14 A. That's correct. He received --

15 Q. And so you invested five hundred dollars with him hoping he
16 would leave you alone, correct?

17 A. Well there was a certain amount of humor that I intended
18 there. It's an expensive way to get somebody to stop seeking
19 you out.

20 Q. But unfortunately he didn't take the hint, correct?

21 A. No. He didn't take the hint. He was persistent. He was a
22 better salesman than I. He sold me on the end.

23 Q. At some point he convinced you to go to one of the
24 meetings, right?

25 A. That's correct.

JB59SCO2

Horn - Cross

1 Q. And I think you said that the first meeting was a pretty
2 large affair in Nashville, correct?

3 A. That's right. It was a -- about three hundred people
4 showed up, took him an hour to decide which 50 -- the room had
5 a capacity of 250. The fire marshal had heard about the
6 meeting. He came there. Hey, if we have a fire or anything
7 too many people in here. Some of you have to go out to the
8 hallway. So it was -- my figures of three hundred were very
9 accurate.

10 Q. And at this affair OneCoin presented itself as an
11 investment opportunity; isn't that true?

12 A. That's true.

13 Q. And there were people there who were speaking on behalf of
14 OneCoin; isn't that right?

15 A. That's true.

16 Q. And they put on a, for lack of a better term, a pretty
17 slick presentation; isn't that right?

18 A. That might be an understatement but, yes.

19 Q. At that affair did they show a video?

20 A. (No response).

21 Q. Do you recall?

22 A. I'm thinking that they had a short video clip showing two
23 of the main speakers, two of the main leaders in North America.
24 Nashville turned out to be the epicenter of this organization.

25 Q. And during that meeting you were introduced to other people

JB59SCO2

Horn - Cross

1 who supposedly had invested into OneCoin, correct?

2 A. That's correct. I had no way of checking this out. It
3 was -- they said it so I was hoping it was true.

4 Q. And there were some people there. In fact, one person, he
5 said that he previously had been on welfare or food stamps;
6 isn't that correct?

7 A. That's correct.

8 Q. And he went on to say that he had made more money than he
9 had made in a long time with OneCoin, right?

10 A. Correct.

11 Q. And so at this event there was a lot of excitement about
12 the possibilities, right?

13 A. That's correct.

14 Q. And at that time you were introduced to some of the other
15 people who were representing OneCoin; is that correct?

16 A. That's correct.

17 Q. Now, that meeting was followed by some other meetings;
18 isn't that true, sir?

19 A. That's true.

20 Q. And at this time when you were at the meeting it would be
21 fair to say that it looked like OneCoin was very legitimate,
22 right?

23 A. Yes. That's true.

24 Q. And they told you about the founder of the business, Ruja
25 Ignatova; isn't that right?

JB59SCO2

Horn - Cross

1 A. That's correct.

2 Q. And they told you she was a highly educated woman; isn't
3 that right?

4 A. Yes.

5 Q. They told you that she didn't have one master's degree, she
6 had two; isn't that right?

7 A. That's true.

8 Q. And that she was the brain trust of OneCoin, right?

9 A. Yes.

10 Q. And they told you that it was Ruja who had developed this
11 blockchain that was going to -- well the word they used was
12 kill bitcoin, right?

13 A. That's correct.

14 Q. And so when you left that event there was some -- some
15 curiosity, wouldn't you say?

16 A. That's --

17 Q. You were curious about it, right?

18 A. More than curious.

19 Q. Maybe even excited?

20 A. Bordering on excitement.

21 Q. Now there was another large event in Houston; isn't that
22 true, sir?

23 A. Yes. I think that took place in April.

24 Q. Yes, sir.

25 And so in April I believe that you attended that

JB59SC02

Horn - Cross

1 meeting in Houston, Texas, right?

2 A. Yes.

3 Q. In fact, it's true that you rented a bus to go to that
4 event, right?

5 A. Yes. A big -- I don't know how long it was. It was a big
6 Prevost bus and the driver; that the bus belonged to a country
7 group by the name of Little Big Town, they didn't need at that
8 particular weekend. So I stupidly offered to pay the way for
9 several of the people. I had about five thousand dollars in
10 the -- invested in the trip.

11 Q. But you were reasonably relying upon information you were
12 given, correct?

13 MR. DiMASE: Objection.

14 THE COURT: Sustained.

15 Q. Well you reacting to the information you got at the
16 previous event, right?

17 A. Yes.

18 Q. And so you made an offer to take a few people with you,
19 correct?

20 A. That's correct.

21 Q. And you attended the event in Houston, right?

22 A. Yes.

23 Q. And it was similar to the event in Nashville, correct?

24 A. Yes. Not as much glitz. Not as much initial excitement.
25 But that would be a fair statement.

JB59SCO2

Horn - Cross

1 Q. And so the information that they represented to you in
2 Nashville, they reinforced it in Houston, correct?

3 A. Yes.

4 Q. And when you got back to Tennessee you were advised that
5 Mr. West was having these smaller type of meetings; isn't that
6 true?

7 A. Yes. It was ideal, if he participated with other people in
8 the organization to pull off, if you will, the advertisement,
9 to get new people into the organization.

10 Q. And that's part of the multilevel marketing theme is you
11 get new people in, right?

12 A. Yes. It was.

13 Q. And as you've told the ladies and gentlemen of the jury,
14 several years back you had a little bit of experience being
15 involved in some multilevel marketing companies, correct?

16 A. Very little. But I was involved -- my wife was mostly the
17 one that -- I helped her lose money. She was -- a few dollars.

18 Q. Now, you told counsel that by the end of 2016 you realized
19 that there was a major flaw in OneCoin because they were giving
20 away too much to be real; isn't that true?

21 A. Giving away the deed to the ranch.

22 Q. So at that time was when you came to the conclusion that
23 sending money to OneCoin was not a good idea, right?

24 A. The euphoria was -- I hate to admit it, but had me in its
25 grips and the Houston trip was probably the ice breaker that

JB59SCO2

Horn - Cross

1 got me to thinking there's something wrong here. This can't be
2 the greatest opportunity ever to hit fiat currency. But --

3 Q. I want to be clear. Before this case started it would be
4 accurate to say that you have never spoken with Mr. Scott,
5 correct?

6 A. To my knowledge, no.

7 Q. And you have never seen Mr. Scott in any OneCoin video,
8 correct?

9 A. No.

10 Q. And you have never personally met him or even saw him at
11 any OneCoin marketing event, correct?

12 A. That's correct. Never had any reason to try to match his
13 face with a picture or anything like that.

14 Q. And you've never communicated with Mr. Scott by e-mail,
15 right?

16 A. Oh, no.

17 Q. And you've never seen or there's never been a text to you
18 or from you between you and Mr. Scott, right?

19 A. No. Until this morning I had never known him.

20 Q. So it would be accurate to say that Mr. Scott did not
21 affect your decision to invest in OneCoin in any way; isn't
22 that true?

23 A. That's fair assumption to say, yes.

24 MR. GARVIN: Sir, I have no further questions. Thank
25 you.

JB59SCO2

Horn - Redirect

1 THE WITNESS: Thank you.

2 THE COURT: Any redirect?

3 MR. DiMASE: Just very briefly, your Honor.

4 REDIRECT EXAMINATION

5 BY MR. DiMASE:

6 Q. Just two quick things to clarify with you, Mr. Horn. At
7 the very beginning of the questions that you were asked by
8 defense counsel I think you may have -- you said something
9 about OneCoin being on a legitimate exchange. Did you mean to
10 say you were following bitcoin being on a legitimate exchange?
11 In 2015?

12 A. 2015 -- I want to make sure I get my dates straight here.

13 Q. Let me ask it another way. When you first were introduced
14 to the concept of OneCoin by Mr. West, were you following
15 bitcoin at that time to some extent?

16 A. Was I following bitcoin?

17 Q. To some extent?

18 A. To some extent, yes. But it was the granddaddy of all
19 coins. Still is to this day.

20 Q. Were you aware that bitcoin was on a legitimate exchange at
21 that time?

22 A. Yes, the exchange being --

23 Q. Is it fair to say that OneCoin was not on any such
24 exchange?

25 A. OneCoin could not get on any exchange to my knowledge

JB59SCO2

Horn - Redirect

1 because of there was operating in secret.

2 Q. So you're not aware of any time that OneCoin was available
3 to exchange on a legitimate exchange, right?

4 A. That's correct.

5 Q. And then the second question I had for you was about the
6 individual you mentioned on cross-examination who claimed to
7 earn money from selling OneCoin. Do you remember testifying
8 about him?

9 A. Yes.

10 Q. The gentleman who had gotten -- been on food stamps before
11 and said he was making a lot of money?

12 A. Yes.

13 Q. Did you understand him to be making that money not by
14 selling OneCoins at a profit but by selling packages to other
15 people and receiving commissions?

16 A. The whole idea was to recruit and find a package that the
17 prospect could easily afford, would not affect his lifestyle or
18 the family, and you got ten percent commission on that.

19 Q. And to be clear that's how you understood this person was
20 making his earnings, through those commissions; is that right?

21 A. Yes. And it was very common knowledge at that time, the
22 gentleman you're referring to is Bob Byron was up at the top --
23 at the top of the food chain so to speak.

24 Q. Just to be clear about the very narrow question, Mr. Horn.
25 This person was making their money through commissions not by

JB59SC02

Horn - Redirect

1 selling OneCoins anywhere, correct? They were making it
2 through the commissions from selling packages? Is that fair?

3 A. Commissions, selling the idea of OneCoin.

4 Q. OK. One moment.

5 (Counsel confer)

6 MR. DiMASE: Nothing further, your Honor. Thank you.

7 THE COURT: Mr. Horn, you may step down.

8 (Witness excused)

9 THE COURT: Please watch your step.

10 And the government please call your next witness.

11 MR. FOLLY: The government calls --

12 MR. DiMASE: Your Honor before calling our next
13 witness we would request permission to introduce a stipulation
14 between the parties.

15 THE COURT: Very well.

16 Ladies and gentlemen, as I believe I mentioned to you
17 briefly, a stipulation is simply an agreement between the
18 parties as to what a particular fact or what certain testimony
19 will be.

20 MR. DiMASE: Thank you, your Honor.

21 This is marked as Government Exhibit 63 for
22 identification.

23 It says: It is hereby stipulated and agreed by and
24 among the U.S., United States of America, by Geoffrey Berman,
25 United States Attorney for the Southern District of New York,

JB59SCO2

Horn - Redirect

1 Christopher J. DiMase and Nicholas Folly, Assistant United
2 States Attorneys, and Julieta V. Lozano, Special Assistant
3 United States Attorney, of counsel, and defendant, Mark S.
4 Scott, by and with the consent of his attorneys Arlo
5 Devlin-Brown, Esquire and David Garvin, Esquire that:

6 Government Exhibit 200 is a disk that contains the
7 following government exhibits, each of which are true and
8 correct copies of videos that were posted on YouTube.

9 Exhibit 201 is true and correct copy of a YouTube
10 video that was posted on the OneCoin YouTube channel on or
11 about June 9, 2016 titled Dr. Ruja Ignatova Birthday Party
12 May 2016, available at the following website address. And a
13 YouTube address is listed.

14 B. Exhibit 202 is a true and correct copy of a
15 YouTube video that was posted to the OneCoin YouTube channel on
16 or about April 13, 2016 titled Coin Rush OneCoin Global Event
17 Teaser available at the following website address, listing
18 another YouTube website.

19 Exhibit 203 is a true and correct copy of a YouTube
20 video that was posted to the OneCoin YouTube channel on or
21 about July 11, 2016 titled Dr. Ruja Ignatova, the blockchain,
22 available at the following website address, listing another
23 YouTube website address.

24 Government Exhibits 204A, B and C are true and correct
25 copies of excerpts of a YouTube video that was posted on

JB59SCO2

Horn - Redirect

1 YouTube on or about July 7, 2015, titled OneCoin U.S. Opening
2 Webinar with Dr. Ruja from July 4, 2015, available at the
3 following website address, again listing another YouTube
4 address.

5 Exhibit 205 is a true and correct copy of a YouTube
6 video that was posted to the OneCoin YouTube channel on or
7 about October 14, 2015, titled OneCoin in Macau: The Rise of
8 an Empire, available at the following website address and
9 there's another YouTube link listed there.

10 Finally, No. 2, Government Exhibits 203-TR, 204-A-TR,
11 204-B-TR, 205-C-TR and 205-TR are true and accurate transcripts
12 of the excerpts marked as Government Exhibits 203, 204A, 204B,
13 and 204C respectively. And we'll go ahead delete the word
14 "call" there. That word is incorrect there.

15 It's further stipulated and agreed that the
16 stipulation which is marked as Government Exhibit 63 may be
17 received in evidence as a government exhibit at trial.

18 It's dated November 5 and signed by the parties.

19 Your Honor at this point the government would offer
20 the stipulation itself, Government Exhibit 63, into evidence
21 along with the exhibits referenced therein.

22 THE COURT: Assuming there is no objection.

23 MR. DEVLIN-BROWN: No objection.

24 THE COURT: That stipulation will be received in
25 evidence.

JB59SCO2

Shimko - Direct

1 (Government's Exhibit 63 along with the exhibits
2 referenced therein received in evidence)

3 MR. DiMASE: Thank you, your Honor. I would ask now,
4 Mr. Barile, to publish clip 204C along with the transcript
5 204C-TR.

6 THE COURT: Very well.

7 MR. DiMASE: Just increasing the volume a little bit,
8 your Honor.

9 (Recording played)

10 MR. DiMASE: Thank you. Your Honor at this point the
11 government calls Special Agent Ronald Shimko.

12 THE COURT: Mr. Shimko, please step up and remain
13 standing.

14 RONALD SHIMKO,

15 called as a witness by the Government,

16 having been duly sworn, testified as follows:

17 THE COURT: Mr. DiMase.

18 DIRECT EXAMINATION

19 BY MR. DiMASE:

20 Q. Good morning, Agent Shimko.

21 A. Good morning.

22 Q. Where do you work?

23 A. The Federal Bureau of Investigation.

24 Q. What's your title there?

25 A. I'm a special agent.

JB59SCO2

Shimko - Direct

1 Q. How long have you been a special agent with the FBI?

2 A. Since March 2016.

3 Q. And it's tough because you're a little tall but if you can
4 really bend down and speak in there. It's hard to hear you.

5 Could you tell the jury what FBI office are you
6 assigned to?

7 A. New York.

8 Q. And what are some of your primary duties and
9 responsibilities as a special agent assigned in the New York
10 field office of the FBI?

11 A. To investigate violations of federal law.

12 Q. Go ahead.

13 A. I'm on a squad that investigates securities fraud and other
14 related crimes.

15 Q. Directing your attention to September 2017. Were you
16 assigned to a particular investigation at that time?

17 A. Yes. I was assigned to the OneCoin investigation.

18 Q. And directing your attention to September 24 of 2017 in
19 particular, were you involved in any proactive investigative
20 steps related to the OneCoin investigation that day?

21 A. Yes. I was involved in making a recording between Gilbert
22 Armenta and Ruja Ignatova.

23 Q. And where were you at that time when you made -- when that
24 call was placed?

25 A. At the U.S. Attorney's Office in Manhattan.

JB59SCO2

Shimko - Direct

1 Q. Who was with you?

2 A. Gilbert Armenta.

3 Q. Could you say that again?

4 A. Gilbert Armenta.

5 Q. Was the recording equipment that you used to record the
6 call that day in proper working order?

7 A. Yes.

8 Q. Who placed the call?

9 A. Gilbert Armenta.

10 Q. To who?

11 A. Ruja Ignatova.

12 Q. Did Mr. Armenta consent to recording the call before
13 placing that call?

14 A. Yes.

15 Q. Were you present during the entire call?

16 A. Yes.

17 Q. Was the entire call recorded?

18 A. Yes.

19 Q. Have you since listened to a complete recording of the
20 call?

21 A. Yes.

22 Q. Let me direct your attention now to September 28 of 2017,
23 four days later. Were you involved in an additional
24 investigative step related to the OneCoin investigation that
25 day?

JB59SCO2

Shimko - Direct

1 A. Yes. We recorded another call between Gilbert Armenta and
2 Ruja Ignatova.

3 Q. Where were you for that call?

4 A. Fort Lauderdale, Florida.

5 Q. Where in particular?

6 A. In a parking garage close to Gilbert Armenta's office.

7 Q. Who was with you?

8 A. Gilbert Armenta and Rich Reinhart who is a special agent
9 with the IRS.

10 Q. Was the recording equipment that was used to record the
11 call that day in proper working order?

12 A. Yes.

13 Q. Who placed the call that day?

14 A. Gilbert Armenta.

15 Q. Who was it to?

16 A. Ruja Ignatova.

17 Q. Did Mr. Armenta again consent to recording the call before
18 placing that call?

19 A. Yes.

20 Q. Were you present for the entirety of that call?

21 A. Yes.

22 Q. Was the entire call recorded?

23 A. Yes.

24 Q. Have you since listened to a complete recording of that
25 call?

JB59SC02

Shimko - Direct

1 A. Yes.

2 Q. I'm going to show you what's been marked, and it should be
3 there to your left, for identification as Government Exhibit
4 1600. Do you recognize it, Agent Shimko?

5 A. Yes.

6 (Continued on next page)

JB53SC03

Shimko - Direct

1 Q. What is it?

2 A. It is a disc containing excerpts from those calls.

3 Q. Specifically the call on September 24 and call on
4 September 28?

5 A. Correct.

6 Q. How do you know that the disc contains those call excerpts?

7 A. I listened to the excerpts on disc, and then initialed and
8 dated the disc.

9 Q. So you can see your initial on Government Exhibit 1600?

10 A. Yes.

11 Q. Did you confirm that the excerpts are in fact true and
12 accurate excerpts taken from the original complete call
13 recordings?

14 A. Yes.

15 MR. DiMASE: Your Honor -- actually a few more
16 questions.

17 Q. How many excerpts are on the disc?

18 A. Three.

19 Q. How are they labeled?

20 A. 1601, 1602, and 1603.

21 Q. Let me first direct your attention to 1603. What is that
22 excerpt?

23 A. It is an excerpt from the call on September 24, 2017.

24 Q. What are Exhibits 1601 and 1602?

25 A. They're excerpts from the call on September 28, 2017.

JB53SCO3

Shimko - Direct

1 MR. DiMASE: Your Honor, the government offers the
2 disc, 1600, along with the three excerpts contained on the
3 disc, 1601, 1602 and 1603.

4 THE COURT: Any objection?

5 MR. DEVLIN-BROWN: No, your Honor.

6 THE COURT: Those exhibits will be received.

7 (Government's Exhibit 1600, 1601, 1602, 1603 received
8 in evidence)

9 Q. Agent Shimko, have you reviewed transcripts of the excerpts
10 contained in 1601, 1602 and 1603?

11 A. Yes.

12 Q. I'll show you Government Exhibit 1601-TR for
13 identification. I'll show you 1602-TR for identification. And
14 1603-TR for identification.

15 What are those?

16 A. They are transcripts of the excerpts of the call.

17 Q. Have you reviewed those transcripts to --

18 A. Yes.

19 Q. Have you determined that they are accurate transcripts of
20 the call excerpts in 1601, 1602 and 1603?

21 A. Yes.

22 MR. DiMASE: The government offers 1601-TR, 1602-TR
23 and 1603-TR into evidence for purposes of aiding the jury in
24 listening to the underlying recordings.

25 THE COURT: Any objection?

JB53SC03

Shimko - Cross

1 MR. DEVLIN-BROWN: No, your Honor.

2 THE COURT: They will be received as well.

3 (Government's Exhibit 1601-TR, 1602-TR, 1603-TR
4 received in evidence)

5 MR. DiMASE: One moment. No further questions, your
6 Honor.

7 THE COURT: Any cross-examination?

8 MR. DEVLIN-BROWN: Yes, your Honor.

9 CROSS-EXAMINATION

10 BY MR. DEVLIN-BROWN:

11 Q. Good afternoon, Agent Shimko.

12 A. Good afternoon.

13 Q. So you were the case agent or one of the case agents on the
14 OneCoin investigation, right?

15 A. Correct.

16 Q. So you worked on it for a number of years, I gather?

17 A. Correct.

18 Q. So, you identified one of the participants on these calls
19 as Gilbert Armenta; correct?

20 A. Correct.

21 Q. Mr. Armenta had been arrested in connection with the
22 OneCoin case in mid-September of 2017, right?

23 A. Yes, that's correct.

24 Q. So he was, after his arrest, cooperating with the FBI and
25 government authorities?

JB53SC03

Shimko - Cross

1 A. Yes.

2 Q. That's the context in which you and your colleagues had him
3 make recorded calls; is that right?

4 A. Yeah, that's correct.

5 Q. You talked on direct examination about a couple of snippets
6 from calls. But there were approximately maybe 40 or so calls
7 between Gilbert and Ruja for about a month between
8 mid-September, mid-October. Does that sound right?

9 A. I'm not sure the exact number, but it was a large amount,
10 yes.

11 Q. Certainly more than 20, right?

12 A. I would say so.

13 Q. Some of those calls maybe went up to almost an hour long.

14 A. Some were long. I'm not sure of the exact time, but yeah.

15 Q. So, just a few questions on context. At the time of the
16 calls in the selections the government has identified,

17 Mr. Armenta --

18 MR. DiMASE: Objection, your Honor. May we approach?

19 THE COURT: I'm sorry.

20 MR. DiMASE: May we approach?

21 THE COURT: Sure.

22 (Continued on next page)

JB53SC03

Shimko - Cross

1 (At the sidebar)

2 THE COURT: Yes, sir.

3 MR. DiMASE: Yes, your Honor. I'm concerned we are
4 going to get into a couple of problem areas with hearsay. In
5 other words, information the agent only really knows from the
6 cooperator and not that he has personal knowledge of, and
7 secondly, there are calls, I mean there are other calls that
8 exist. The idea of placing context from recordings that were
9 out there that the defense doesn't have an ability to introduce
10 because they are co-conspirator statements, but trying to
11 introduce them in this fashion by asking the agent questions
12 about the context in those calls, which is the only way he
13 knows, seems problematic. Potentially is violative of hearsay
14 rules as well.

15 MR. DEVLIN-BROWN: I have very limited questions in
16 mind, and I think the definition of hearsay Mr. DiMase has
17 offered would preclude all sorts of questions of case agents.
18 What I want to ask is if at the time of the calls that Armenta
19 and Ruja had been in a romantic relationship for a number of
20 years. Number two, if at the time of these calls it appeared
21 to the FBI that Ruja Armenta had become aware that there was a
22 law enforcement investigation involving Gilbert Armenta in the
23 United States.

24 MR. DiMASE: So, I think both of those are calling for
25 hearsay about the state of mind of Ruja Ignatov and about what

JB53SC03

Shimko - Cross

1 this agent learned from Armenta about his relationship with
2 Ruja. And also, for what it's worth, I think these questions
3 can be posed to Mr. Ignatov who is going to testify about the
4 relationship from a state of personal knowledge regarding
5 Armenta and Ruja, and what Ms. Ignatov may have known about
6 investigations at that point. So just not the appropriate
7 witness for these questions.

8 THE COURT: I'm curious about the government's
9 concern. Because it was at least clear to me from the
10 recordings that I read that it's obvious that they had been
11 involved in a relationship or were involved in a relationship,
12 and she had become aware of the investigation.

13 MR. DEVLIN-BROWN: There is only one other sort of
14 brief questions I want to ask. Mr. DiMase may object. I want
15 to ask him if, in addition to recordings with Gilbert Armenta
16 and Ruja, he also arranged for Gilbert Armenta to call other
17 people. Did he ask Mr. Armenta to try to get in touch with
18 Mr. Scott. And Mr. Scott would not respond to Gilbert Armenta.

19 MR. DiMASE: I think they are attempting to offer that
20 for the truth, but that's besides the point. It is outside the
21 scope of the direct. Questions about Ruja seem appropriate,
22 but this is not within the scope of the direct examination,
23 your Honor.

24 THE COURT: I'm going to not let you go down that
25 road.

JB53SC03

Shimko - Cross

1 MR. DEVLIN-BROWN: Okay. That's fine. Thank you.

2 (Continued on next page)

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JB53SC03

Shimko - Cross

1 (In open court?)

2 MR. DEVLIN-BROWN: The objection overruled, your
3 Honor.

4 THE COURT: The objection is overruled, yes.

5 BY MR. DEVLIN-BROWN:

6 Q. So at the time of the recording on September 28, was the
7 FBI, the FBI understood that Gilbert Armenta had a romantic
8 relationship with Ruja for a number of; years, is that right?

9 A. We were told by Gilbert Armenta that he was in a romantic
10 relationship with Ruja, yes.

11 Q. That was fairly apparent from the calls; is that fair to
12 say?

13 A. It is.

14 Q. At the time of the call on September 28, was it also clear
15 to you as the case agent that Ruja Armenta had become aware
16 that there was some sort of U.S. law enforcement investigation
17 involving Gilbert in the United States?

18 A. I don't know if it was clear at the time. I mean, Ruja had
19 certain swings in her mood from time to time. But we didn't
20 know exactly whether or not she knew that there was an
21 investigation.

22 Q. Well, isn't it correct that on a portion of the call on
23 September 28, she said that she believed Gilbert's office had
24 been bugged and the FBI had done it?

25 A. I believe she made reference to that, yes.

JB53SC03

1 MR. DEVLIN-BROWN: No further questions.

2 THE COURT: Sure. Any redirect?

3 MR. DiMASE: Nothing further, your Honor. Thank you.

4 THE COURT: Agent Shimko, you may step down.

5 (Witness excused)

6 MR. FOLLY: The government calls Konstantin Ignatov.

7 MR. DiMASE: Your Honor.

8 THE COURT: Yes.

9 MR. DiMASE: While we're waiting for the witness, with
10 the Court's permission, could we set up this easel that we plan
11 to use for some exhibits.

12 THE COURT: You may.

13 MR. DiMASE: Thank you.

14 THE COURT: Ladies and gentlemen, we're going to take
15 a brief break so we can get the next witness ready. It will be
16 just a couple of minutes, so please be ready to come right back
17 out. Before that, I want to share something personal with you
18 on behalf of myself. I enjoy that it's comfortably cool in the
19 courtroom, so I'm quite happy right now. However, I see some
20 of you are being big babies about it, so we have called
21 downstairs to see if we can make it just a little bit more
22 equitable for everyone. Okay?

23 Please do not discuss the case.

24 (Jury excused)

25 (Jury present)

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Ignatov - Direct

1 THE COURT: Mr. Folly.

2 MR. FOLLY: May I proceed, your Honor?

3 THE COURT: You may.

4 KONSTANTIN IGNATOV,

5 called as a witness by the Government,

6 having been duly sworn, testified as follows:

7 DIRECT EXAMINATION

8 BY MR. FOLLY:

9 Q. Mr. Ignatov, how old are you?

10 A. I'm 33 years old.

11 Q. Where were you born?

12 A. In Sofia, Bulgaria.

13 Q. Where did you grow up?

14 A. In the first four years of my life I grew up in Sofia,
15 Bulgaria, then I moved with my family to a small town in
16 Germany.

17 Q. Who are the immediate members of your family?

18 A. My mother Veska, my father Plamen, and my sister Ruja.

19 Q. Is your sister older or younger?

20 A. She's six years older than me.

21 Q. What is your sister's Ruja's last name?

22 A. Ignatov.

23 MR. FOLLY: Mr. Barile, can you put on the screen for
24 the witness what has been marked as Government Exhibit 101.

25 Q. Mr. Ignatov, do you recognize that?

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Ignatov - Direct

1 A. Yes, this is my sister Ruja.

2 MR. FOLLY: The government offers Government Exhibit
3 101.

4 MR. DEVLIN-BROWN: No objection.

5 THE COURT: 101 will be received.

6 (Government's Exhibit 101 received in evidence)

7 MR. FOLLY: If we can publish that for the jury as
8 well.

9 THE COURT: You may.

10 Q. Mr. Ignatov, to avoid confusion with your last name, I will
11 refer to your sister throughout today as Ruja.

12 Does Ruja have any nicknames?

13 A. Yes, for example, Crypto Queen, Her Royal Highness,
14 Dr. Ruja, and in written communications, only R.

15 Q. How far did you go in school?

16 A. I finished high school and I had two years of university
17 without graduating.

18 Q. Where did you attend those two years of university?

19 A. In South Germany.

20 Q. What did you study while you were there?

21 A. Journalism and politics.

22 Q. So that the court reporter can hear you, can you just make
23 sure you speak slowly and loudly.

24 A. Okay.

25 Q. In addition to English, Mr. Ignatov, do you speak any other

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Ignatov - Direct

1 languages?

2 A. German and Bulgarian are my main languages. English is my
3 third language, and a little bit of Spanish.

4 Q. We'll come back to what you did at the university a little
5 bit later. I want to ask you about some more recent events in
6 your life.

7 Mr. Ignatov, where do you currently live?

8 A. In the MCC in New York.

9 Q. What is the MCC?

10 A. A prison.

11 Q. What are you in prison for?

12 A. Conspiracy to wire fraud, wire fraud, conspiracy to money
13 laundering, and conspiracy to bank fraud.

14 Q. When were you arrested for committing those crimes?

15 A. March 6 of 2019.

16 Q. Have you been in jail since that time?

17 A. Yes.

18 Q. Have you pled guilty to committing the crimes that you just
19 described?

20 A. Yes.

21 Q. We'll come back to the details of those crimes later in
22 your testimony. But for now, can you describe generally what
23 made you guilty of the wire fraud crimes?

24 A. I was working for the fraud scheme OneCoin, that made false
25 representations to investors. To get them to invest their

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Ignatov - Direct

1 money into the cryptocurrency OneCoin.

2 Q. You mentioned you also pled guilty to money laundering and
3 bank fraud offenses. Is that right?

4 A. Yes.

5 Q. What made you guilty of the money laundering and bank fraud
6 charges?

7 A. I was working with individuals who created fake companies
8 to hide the origin of funds, and to not to tell the truth about
9 where the funds are going to.

10 MR. FOLLY: Mr. Barile, can you put on the screen for
11 the witness what has been marked as Government Exhibit 128.

12 Q. Mr. Ignatov, do you recognize that?

13 A. Yes, this is me after my arrest.

14 MR. FOLLY: Government offers Government Exhibit 128.

15 MR. DEVLIN-BROWN: No objection.

16 THE COURT: 128 will be received.

17 (Government's Exhibit 128 received in evidence)

18 MR. FOLLY: Can we please publish that for jury.

19 Q. You just mentioned that you pled guilty to certain crimes
20 related to OneCoin. Is that correct?

21 A. Yes.

22 Q. Did you commit those crimes by yourself or did you commit
23 them with others?

24 A. With others.

25 Q. Do you see anyone in this courtroom today that you

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Ignatov - Direct

1 committed any of those crimes with?

2 A. Yes, I do.

3 Q. Whom do you see?

4 A. Mr. Mark Scott.

5 Q. Can you identify Mark Scott by indicating where he is
6 seated and by an item of clothing that he is wearing?

7 A. I think it is a blue suit. Yes. The gentleman that stand
8 up.

9 MR. FOLLY: Let the record reflect that the witness
10 has identified the defendant Mark Scott.

11 THE COURT: The record will so reflect.

12 MR. FOLLY: Mr. Barile, can you put on the screen for
13 the witness what has been marked as Government Exhibit 100.

14 Q. Mr. Ignatov, do you recognize that?

15 A. Yes, this is Mr. Mark Scott.

16 MR. FOLLY: The government offers Government Exhibit
17 100.

18 MR. DEVLIN-BROWN: No objection to this photo.

19 THE COURT: 100 will be received.

20 (Government's Exhibit 100 received in evidence)

21 Q. Mr. Ignatov, you mentioned that Mark Scott was involved
22 with some of the crimes you committed. Is that right?

23 A. Yes.

24 Q. What was Mark Scott's role in some of those crimes you
25 committed?

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1 A. He was one of the main money launderers for OneCoin.

2 Q. Did Mark Scott work alone or with anyone else?

3 A. He worked with others.

4 Q. Who were some of the main people that Mark Scott worked
5 with?

6 A. For example, Gilbert Armenta, and Amer Abdulaziz, Irina
7 Dilkinska.

8 Q. I am --

9 A. And Ruja Ignatov.

10 Q. Showing you what's been marked as Government Exhibit 102.
11 Can we publish that just for the witness.

12 Mr. Ignatov, who is depicted in Government Exhibit
13 102?

14 A. This is Gilbert Armenta.

15 MR. FOLLY: The government offers Government Exhibit
16 102.

17 MR. DEVLIN-BROWN: No objection.

18 THE COURT: 102 will be received.

19 (Government's Exhibit 102 received in evidence)

20 Q. What was Gilbert Armenta's connection to OneCoin?

21 A. He was also one of the main money launderers, and he was
22 the boyfriend of Ruja Ignatov and her business partner.

23 Q. Have you met Mark Scott before?

24 A. Yes, one time.

25 Q. Approximately when was that?

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Ignatov - Direct

1 A. This was approximately June, July 2016.

2 Q. Where did you first meet Mark Scott?

3 A. In the head office of OneCoin in Sofia.

4 Q. Is that Sofia, Bulgaria?

5 A. Yes.

6 Q. We'll come back to the details of that meeting later. But
7 for now, can you just describe generally what the circumstances
8 of that meeting were.

9 A. Ruja wanted me to schedule a meeting in Sofia, and so I
10 did, and Mr. Mark Scott came to Sofia.

11 Q. Who, if anyone, did Mark Scott meet with when he came to
12 the OneCoin office in Sofia, Bulgaria?

13 A. Ruja Ignatov and Irina Dilkinska.

14 Q. What was Irina Dilkinska's role at OneCoin?

15 A. At the beginning it was said to me that her role is to --
16 she's the head of legal, but later on I learned that she is in
17 charge of creating and managing fake companies for the company
18 OneCoin.

19 Q. What was the purpose of those fake companies that you just
20 referenced?

21 A. They were many different ones. For example, holding Ruja's
22 properties, or to create bank accounts or for the money
23 laundering purposes.

24 Q. I am showing you what's been marked as Government Exhibit
25 133. Do you recognize that?

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Ignatov - Direct

1 A. Yes, this is Irina Dilkinska.

2 MR. FOLLY: The government offers Government Exhibit
3 133.

4 MR. DEVLIN-BROWN: No objection.

5 THE COURT: 133 will be received.

6 (Government's Exhibit 133 received in evidence)

7 Q. Mr. Ignatov, you mentioned a few minutes ago you were
8 involved in a fraud scheme connected to OneCoin. Is that
9 right?

10 A. Yes.

11 Q. Very briefly, what is OneCoin?

12 A. OneCoin is a so-called cryptocurrency. This is a digital
13 currency, not like money that we used to know in paper form or
14 in coins, but it's digital in codes.

15 Q. Who founded OneCoin?

16 A. Dr. Ruja Ignatov and Sebastian Greenwood.

17 MR. FOLLY: Mr. Barile, can you put on the screen for
18 the witness what has been marked as Government Exhibit 129.

19 Q. Do you recognize that exhibit?

20 A. This is Sebastian Greenwood.

21 MR. FOLLY: The government offers Government Exhibit
22 129.

23 MR. DEVLIN-BROWN: No objection.

24 THE COURT: 129 will be received.

25 (Government's Exhibit 129 received in evidence)

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Ignatov - Direct

1 Q. Mr. Ignatov, when you first started working at OneCoin,
2 what was your position?

3 A. I was Ruja Ignatov's personal assistant.

4 Q. Again, I'm just going to remind you to make sure you speak
5 slowly and to keep your voice up.

6 A. Excuse me.

7 Q. Did your position at OneCoin eventually change?

8 A. Yes, at the end, I became one of the top leaders in
9 OneCoin.

10 Q. When did you become one of the top leaders at OneCoin?

11 A. This was after Ruja's disappearance, end of 2017.

12 Q. When you referenced Ruja's disappearance, what are you
13 referring to?

14 A. Ruja Ignatov disappeared in October 2017.

15 Q. Have you seen Ruja Ignatov since that time?

16 A. No.

17 Q. Have you spoken with her since that time?

18 A. No.

19 Q. We'll come back later in your testimony and discuss the
20 details of her disappearance.

21 In total, approximately how long did you work at
22 OneCoin for?

23 A. Almost three years.

24 Q. Approximately how many investors purchased OneCoins?

25 A. Around three and a half million.

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Ignatov - Direct

1 Q. Approximately how much money did the company make?

2 A. Over \$2 billion.

3 Q. You mentioned a few minutes ago that OneCoin is a fraud
4 scheme. Is that correct?

5 A. Yes.

6 Q. What are some of the main ways that OneCoin was a fraud
7 scheme?

8 A. Well, the biggest way was that there were many promises
9 made to investors that were never kept. For example, false
10 representations were made that never happened in the end.

11 Q. What types of promises were made to the investors that
12 weren't kept?

13 A. For example, that they can multiply their money. That
14 there would be a global exchange. It was also said a lot about
15 the value of the coin, that it was said by supply and demand
16 and not manually.

17 Q. How is the value of OneCoin actually determined?

18 A. By the company.

19 Q. And not by supply and demand?

20 A. Exactly.

21 Q. You mention a few minutes ago that your sister, Ruja, as
22 well as Sebastian Greenwood, founded OneCoin. Is that right?

23 A. Yes.

24 Q. What was Ruja's educational background?

25 A. She has her doctorate in law, and she was studying

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1 economics and in Oxford, England. Afterwards, she was working
2 for McKinsey and other consultant companies.

3 Q. Had Ruja owned any businesses before OneCoin?

4 A. Yes, approximately 10 years ago, she had a metal plant in
5 Germany.

6 Q. Was anyone else in your family involved in that business?

7 A. My father.

8 Q. Were you involved in that business?

9 A. No.

10 Q. To your knowledge, what happened to that metal plant that
11 you referenced?

12 A. The metal plant had to close down, and afterwards, Ruja and
13 my father got prosecuted by law. And Ruja got in the end --
14 excuse me -- probation because of fraud.

15 Q. So just to go through that quickly. Did there come a time
16 when your father and Ruja were both charged with criminal
17 charges connected to that business?

18 A. Yes, in the end.

19 Q. Was the nature of those charges involving fraud?

20 A. Yes.

21 Q. Can you describe what happened after your father and your
22 sister were charged with those crimes?

23 A. My sister went immediately to back to Bulgaria to live
24 there, and left my parents alone in Germany, which led to a lot
25 of death threats, a lot of violence against things that my

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1 parents have, like the apartment, or the car. In the end, this
2 led to a very hard heart attack of my father, and he became
3 very sick. This was why I couldn't finish my university,
4 because I had to take care of him then.

5 Q. Just to be clear, who was it that was upset with your
6 father?

7 A. The workers of the company.

8 Q. I want to switch topics now and ask you about how you first
9 got involved with OneCoin. You mentioned that you started
10 working for OneCoin in 2016. Is that correct?

11 A. Yes, end of June.

12 Q. I want to direct your attention to May of 2016. Where were
13 you working at that time?

14 A. Porsche Logistics in South Germany.

15 Q. Is that Porsche the car company?

16 A. Yes.

17 Q. Where was your office located?

18 A. Near Stuttgart in South Germany.

19 Q. Where were you living at that time?

20 A. In a small village near Stuttgart.

21 Q. As of May 2016, how long have you been working at Porsche?

22 A. Five years.

23 Q. What was your position at Porsche?

24 A. I was driving a forklift.

25 Q. What was your salary at Porsche?

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1 A. With overtime, around 2,800 euros a month.

2 Q. Prior to working at Porsche, where did you work?

3 A. I was, for example, teller at the post office.

4 Q. As of May 2016, where was your sister Ruja living?

5 A. In Sofia, in Bulgaria.

6 Q. Where was Ruja working as of May 2016?

7 A. She was already running OneCoin.

8 Q. What about your mother and your father, where were they
9 living at that time?

10 A. They were also living in Sofia, Bulgaria.

11 Q. Where was OneCoin based?

12 A. Sofia, Bulgaria.

13 Q. Did OneCoin have any other offices?

14 A. Yes, in Dubai and in Hong Kong.

15 Q. Where was your mother working as of May 2016?

16 A. Also for OneCoin.

17 Q. Did there come a time in May 2016 when you saw your sister
18 Ruja?

19 A. Yes, at the end of May, I saw her at birthday party.

20 Q. Approximately when was that?

21 A. Around the 30th.

22 Q. Of May?

23 A. Yes.

24 Q. How old was she at that time?

25 A. 33 -- 36.

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Ignatov - Direct

1 Q. Where did Ruja's birthday party take place?

2 A. In a museum in London.

3 Q. Did you attend that birthday party?

4 A. Yes.

5 Q. Can you give a description of what the party was like?

6 A. It was at that time the fanciest party that I attended.

7 Everybody had to wear suit and tie or cocktail dresses. The

8 people look very successful to me and very rich. And Tom Jones

9 was performing.

10 Q. Approximately how many guests attended that party?

11 A. 100 to 200.

12 MR. FOLLY: Mr. Barile, if you could pull up paragraph
13 1A of Government Exhibit 63 which is the stipulation regarding
14 YouTube videos. It reads: "Government Exhibit 201 is a true
15 and correct copy of a YouTube video that was posted to the
16 OneCoin YouTube channel on or about June 9, 2016, titled
17 "Dr. Ruja Ignatov birthday party, May 2016."

18 Mr. Barile, if you could now publish for the witness
19 and the jury what's in evidence as Government Exhibit 201.

20 (Video recording playing)

21 BY MR. FOLLY:

22 Q. Mr. Ignatov, do you recognize what was shown in that video?

23 A. Yes, this is the birthday party.

24 Q. That's the birthday party of your sister, Ruja?

25 A. Yes.

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1 MR. FOLLY: Can we turn to Government Exhibit 55. If
2 we could publish paragraph six, please. "During execution of
3 the above-described search warrant at Scott's Massachusetts
4 residence, agents also recovered a cell phone belonging to
5 Scott's wife ("the wife's phone"). Computer forensic analysts
6 later extracted data including chat messages from the messaging
7 application called WhatsApp from the wife's phone. Government
8 Exhibit 3025 contains true and accurate excerpts of certain
9 messages -- between Scott and his wife prior to their
10 marriage -- from a WhatsApp message thread recovered from the
11 wife's phone. Government Exhibit 3025-S is a chart created by
12 the government based on the information contained in Government
13 Exhibit 3025."

14 Pursuant to this stipulation, the government offers
15 Government Exhibits 55, 3025, and 3025-S.

16 THE COURT: Any objection?

17 MR. DEVLIN-BROWN: Your Honor, we object to offering
18 that in connection with this witness.

19 THE COURT: Let's have a sidebar.

20 (Continued on next page)

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Ignatov - Direct

1 (At the sidebar)

2 MR. DEVLIN-BROWN: Our concern is that the prosecution
3 is sort of using or may use Mr. Ignatov as sort of a vehicle to
4 just show evidence. He's not on any of these text messages.
5 I'm not sure what the basis is for showing text messages
6 between Mr. Scott and his wife to this witness if he's not on
7 them. They can show them some other time when there's not a
8 witness on the stand.

9 MR. FOLLY: Your Honor, this is extremely common in
10 nearly every case we present in this district. We present
11 evidence in a coherent fashion, and it saves as much time as we
12 can for the Court and for the jury. This is the appropriate
13 time to present this evidence. It's evidence that's stipulated
14 to. We intend to publish some evidence during this testimony
15 that is relevant and is going to get published at this trial at
16 some juncture. I think Mr. Devlin-Brown's only objection is
17 it's being published in a fashion that actually puts it into
18 some context.

19 THE COURT: I don't think that's his objection. But
20 what is the substance of what you are going to put in?

21 MR. FOLLY: It is a text message showing
22 correspondence between Mr. Scott and his wife about this very
23 party that we're in the middle of eliciting testimony about.

24 THE COURT: I'll let it in.

25 (Continued on next page)

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1 (In open court)

2 THE COURT: The objection is overruled.

3 (Government's Exhibit 55, 3025, 3025-S received in
4 evidence)

5 MR. FOLLY: May we now publish Government Exhibit
6 3025-S at page six. If we could just blow up the top portion
7 of the text message. If you could actually go back to the
8 prior page. Page five and blow that up. We can take that
9 down.

10 Q. Mr. Ignatov, you mentioned that Ruja was running OneCoin at
11 the time of her birthday party. Is that right?

12 A. Yes.

13 Q. Was there anyone else who worked for OneCoin who attended
14 Ruja's birthday party?

15 A. Most of the people who attended were either employees of
16 OneCoin in Sofia, employees of the RavenR in London, or the
17 sellers from the network.

18 Q. Do you recall anyone specific who was there?

19 A. For example, from the network Kari Wahlroos, the
20 Steinkeller brothers, Sebastian Greenwood, Juha Parjiala, and
21 from the London office, for example, Gary Gilford.

22 Q. When you refer to the London office, what are you referring
23 to?

24 A. To the RavenR office in London.

25 Q. What is RavenR?

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1 A. RavenR was an investment company from Ruja.

2 Q. We'll come back to RavenR a little bit later.

3 MR. FOLLY: Mr. Barile, can you show the witness what
4 has been marked as Government Exhibit 117. If you could just
5 page through it so the witness can see the pages.

6 Q. Mr. Ignatov, do you recognize that exhibit?

7 A. Yes, these are pictures from the birthday party.

8 MR. FOLLY: The government offers Government Exhibit
9 117.

10 MR. DEVLIN-BROWN: No objection.

11 THE COURT: 117 will be received.

12 (Government's Exhibit 117 received in evidence)

13 MR. FOLLY: If we can publish that for the jury
14 starting with the first page.

15 Q. Mr. Ignatov, on the birthday cake it says "Happy Birthday
16 Crypto Queen." What is Crypto Queen?

17 A. Crypto Queen was the nickname of Dr. Ruja Ignatov.

18 Q. Turn to the second page of this exhibit. Who is shown in
19 this photograph?

20 A. From left to right, Sebastian Greenwood, Ruja Ignatov, and
21 Kari Wahlroos.

22 Q. What was Sebastian Greenwood's role at OneCoin?

23 A. Sebastian Greenwood founded OneCoin with Ruja. He was the
24 leader of the network, and the global master distributor.

25 Q. You also mentioned on the right someone named Kari

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1 Wahlroos. What was his role at OneCoin?

2 A. He was the ambassador for Europe and for Africa.

3 Q. Let's turn to the third photograph. What's shown in this
4 photograph?

5 A. From left to right, you see a lady dancing, she was the
6 personal assistant before me who got fired immediately after
7 this party because she had an affair with Sebastian Greenwood.
8 On her right is Gary Gilford. Then there is a gentleman
9 singing. Then Aaron Steinkeller, Kari Wahlroos, me and
10 Dr. Ruja Ignatov.

11 Q. You mentioned someone who got fired. What is that person's
12 name?

13 A. Denitza Godeva.

14 Q. Who was her role at OneCoin at the time she got fired?

15 A. She was Ruja's personal assistant.

16 Q. You also mentioned someone named Aaron Steinkeller who I
17 believe you said was to your left in the photo two people over.
18 Is that right?

19 A. Yes.

20 Q. To the right of that individual. To the right of him.
21 What was his role at OneCoin?

22 A. He and his two brothers were part of the main seller of the
23 network.

24 THE COURT: Mr. Folly, it's now 12:45, so we'll take
25 our second break. We'll reconvene promptly in 15 minutes.

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1 Please do not discuss the case.

2 (Jury excused)

3 THE COURT: Don't be late.

4 (Recess)

5 MR. GARVIN: Your Honor, we have one matter. May we
6 have a sidebar before the jury comes in?

7 THE COURT: Sure, let's do that now.

8 (At the sidebar)

9 MR. GARVIN: Your Honor, we had notice to the defense
10 that this particular witness had stated that Mr. Scott was a
11 money launderer for OneCoin. And as he's testified, it appears
12 that that statement that he made was not based upon his
13 personal knowledge, but was based upon what someone else told
14 him, and therefore, we feel that even if it may not be a
15 hearsay violation on some hearsay exception, it would be a
16 violation of the Sixth Amendment with the confrontation clause.
17 So, we would like to object, if he's going to say in his future
18 testimony what role Mr. Scott played in his making that
19 statement not from his personal knowledge, but from what
20 someone else told him.

21 THE COURT: Why wouldn't that be a co-conspirator
22 statement?

23 MR. GARVIN: Well --

24 THE COURT: Or rather --

25 MR. FOLLY: Your Honor, I think that's exactly the

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1 issue. These aren't testimonial statements that Mr. Ignatov is
2 going to be offering. These are precisely statements that are
3 the subject of the motions in limine. They're statements from
4 other co-conspirators in furtherance of the conspiracy.
5 Updating him about the status of who particular people are, and
6 what the roles are, and what actions they've taken in the past
7 and what ongoing actions they have connected to this criminal
8 enterprise. So, it's simple under those bases.

9 MR. GARVIN: Part of the objection, your Honor, is
10 that the way he has presented it, he is not presenting it that
11 someone told him. He is saying it as a fact. And it puts us
12 in a position where there is no cross-examination because if he
13 says -- if he said "Ruja told me," that would be a different
14 story than what is occurring here.

15 THE COURT: Can you make a proffer as to what the
16 testimony will be.

17 MR. FOLLY: Yes. I think he's very early in his
18 testimony. He has not said much about anything with the level
19 of specificity yet. But we anticipate that later in his
20 testimony, he will articulate the reasons that he knows certain
21 things. If you want to cross-examine him about who told him
22 what, when and where, and how he came to arrive at that
23 knowledge, that's an appropriate line of cross-examination.

24 THE COURT: Okay. So I think we know where we are.

25 (In open court)

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Ignatov - Direct

1 THE COURT: Let's get the jury.

2 (Jury present)

3 THE COURT: Mr. Folly, you may proceed.

4 MR. FOLLY: Thank you, your Honor.

5 BY MR. FOLLY:

6 Q. We can go back to Government Exhibit 117. If we can go to
7 the third page. The third page.

8 Mr. Ignatov, when we paused for our break, you were
9 describing some of the individuals who are seen in this
10 photograph. One of the individuals you referenced was Gary
11 Gilford. Where is he shown in this photograph?

12 A. He's on the right side of the dancing lady.

13 Q. What was Gary Gilford's connection to OneCoin?

14 A. He was the office manager of RavenR in London.

15 Q. You mentioned earlier that RavenR was involved with
16 investments for Ruja. Is that right?

17 A. Yes.

18 Q. Where was the money coming from that was being put into
19 RavenR?

20 A. From OneCoin investors.

21 MR. FOLLY: Mr. Barile, if you can now show the
22 witness what's been marked as Government Exhibit 104.

23 Q. Mr. Ignatov, do you recognize that?

24 A. Yes, this is Irina Dilkinska at the birthday party of Ruja.

25 MR. FOLLY: The government offers Government Exhibit

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Ignatov - Direct

1 104.

2 MR. DEVLIN-BROWN: No objection.

3 THE COURT: 104 will be received.

4 (Government's Exhibit 104 received in evidence)

5 Q. Mr. Ignatov, you can just remind us, what was Irina
6 Dilkinska's role at OneCoin?

7 A. At the beginning I was told that she's the head of legal.
8 But her real task was to create and to manage fake companies.

9 Q. What were those some of those fake companies used for?

10 A. For example, money laundering.

11 Q. Mr. Ignatov, during your trip to London for Ruja's birthday
12 party, where did you stay?

13 A. In Ruja's penthouse apartment in London, Kensington.

14 Q. Did she own that property or was she renting it?

15 A. She owned it.

16 Q. Can you describe that penthouse.

17 A. It is really, really big. Two floors. It has a, has a
18 huge indoor pool, four or five bedrooms. It has very expensive
19 furniture and also expensive art, for example, she owns
20 original Andy Warhol.

21 Q. Between 2015 and 2016, did you notice any changes in Ruja's
22 wealth?

23 A. Yes. Because I seen her around one year earlier, the last
24 time at her birthday party, and I've seen her getting rich in a
25 very short period of time.

JB53SC03

Ignatov - Direct

1 Q. What types of things did you observe that made you believe
2 she was getting rich?

3 A. First of all, the penthouse. I've seen the birthday party.
4 I've seen the way she dresses, and her jewelry.

5 Q. Approximately how long were you in London for Ruja's
6 birthday party?

7 A. Around three to five days.

8 Q. When was the next time you saw Ruja after her birthday
9 party?

10 A. Approximately two, three weeks later at London Coin Rush
11 event.

12 Q. You said it was called the London Coin Rush event; is that
13 correct?

14 A. Yes.

15 Q. What was the nature of that event?

16 A. It was a OneCoin sales event.

17 Q. Why did you attend that event?

18 A. One week before, Ruja fired her personal assistant, and
19 called me and offered me the job as her new personal assistant,
20 and wanted to show me this event.

21 Q. What did you discuss with Ruja during that conversation?

22 A. She said that her personal assistant Denitza had an affair
23 with Sebastian Greenwood, and she fired her, and she said that
24 she needs somebody who she could trust and who won't betray
25 her. And she asked me if I want to be her new personal

JB53SC03

Ignatov - Direct

1 assistant, and she will be very happy if I came.

2 Q. What did you say in response to her?

3 A. I said that I didn't know, because my life pretty much
4 sorted in Germany. I had a safe job, I had a nice apartment.
5 I was -- I had a lot of friends there, and in my spare time I
6 was working with some dog shelters. So I didn't know if I want
7 to give all this up, for something that I don't even know what
8 it is.

9 Q. Where were you working and living at that time of that Coin
10 Rush event?

11 A. I was working for Porsche Logistics in South Germany, and I
12 was living in a small village around 15 kilometers away from
13 it.

14 Q. You mentioned a few minutes ago that the Coin Rush event
15 took place in London. Is that correct?

16 A. Yes.

17 Q. Where did you stay during that trip for the Coin Rush
18 event?

19 A. I was in the London Hilton Olympia in Hammersmith.

20 Q. Why did you stay at that particular location?

21 A. Ruja put all of the employees of OneCoin there.

22 Q. Approximately how long were you in London for that trip?

23 A. Three or four days.

24 Q. Let's turn to the Coin Rush event itself. What was the
25 purpose of that Coin Rush event?

JB53SC03

Ignatov - Direct

1 A. It was a sales event for the network.

2 MR. FOLLY: You can go to the stipulation that's in
3 Government Exhibit 63 at paragraph 1B. Which says "Government
4 Exhibit 202 is a true and correct copy of a YouTube video that
5 was posted to the OneCoin YouTube channel on or about April 13,
6 2016, titled "Coin Rush, OneCoin Global Event Teaser."

7 Mr. Barile, can you please publish Government Exhibit
8 202.

9 (Video recording playing)

10 MR. FOLLY: You can take that down.

11 Q. Mr. Ignatov, where in London did the Coin Rush event take
12 place?

13 A. In the Wembley Hall.

14 Q. Approximately how many people attended that event?

15 A. Three to 5,000.

16 Q. Where did you sit during the event?

17 A. In the first row, right next to Ruja.

18 Q. Can you give an overview of what happened at the Coin Rush
19 event.

20 A. It started around noon. First it was a small music act,
21 and then the actual presentations from the biggest sellers
22 began. Than Sebastian Greenwood's presentation, and at the end
23 Ruja Ignatov's.

24 Q. Do you remember who any of the presenters were on that
25 date?

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Ignatov - Direct

1 A. For example, Kari Wahlroos and the Steinkeller brothers.

2 Q. You mentioned Kari Wahlroos. Can we go back to Government
3 Exhibit 117 at page two. Is he shown in this photo?

4 A. Yes, the blond man on the right.

5 Q. What was Kari Wahlroos's position at OneCoin?

6 A. He was the ambassador for Europe and for Africa at OneCoin.

7 Q. What was Kari Wahlroos's presentation like at the OneCoin
8 Coin Rush event?

9 A. He was standing on the stage with sunglasses and started to
10 scream "who wants to be a millionaire." And he was constantly
11 repeating that he will make people with OneCoin rich, and it's
12 easy to be a millionaire with OneCoin.

13 Q. What types of things did the other presenters say on stage
14 during that event?

15 A. It was all pretty similar. About getting rich in a very
16 short period of time with OneCoin.

17 Q. What types of things did they say specifically about
18 OneCoin itself?

19 A. For example, that it will -- that it is the bitcoin killer.
20 That it is the future. That it will explode in value. That it
21 will go up tremendously.

22 MR. FOLLY: You can turn to the stipulation in
23 Government Exhibit 63 and go to paragraph 1C. That stipulation
24 references another YouTube video posted to the OneCoin YouTube
25 channel on or about July 11, 2016, titled "Dr. Ruja Ignatov:

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Ignatov - Direct

1 The Blockchain."

2 Mr. Barile, if you can start with the first clip going
3 from the start of the video to approximately five minutes and
4 43 seconds.

5 (Video recording playing)

6 MR. FOLLY: Just pause it there for a moment.

7 Q. Mr. Ignatov, do you recognize the individual that's in the
8 video right now?

9 A. This is Sebastian Greenwood.

10 Q. What was his role at OneCoin?

11 A. He was one of the two founders, he's the -- he was leader
12 of the network and the global master distributor.

13 MR. FOLLY: We can keep going.

14 (Video recording playing)

15 MR. FOLLY: Let's go to the next clip at 6:14 through
16 8:35.

17 (Video recording playing)

18 MR. FOLLY: Let's play the third clip at 13:56 through
19 16:35.

20 (Video recording playing)

21 (Continued on next page)

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1 MR. FOLLY: Go to the fourth clip at 19:40 through
2 23:28.

3 (Recording played)

4 MR. FOLLY: Go to the fifth clip. 27:20 through
5 27:45.

6 (Recording played)

7 MR. FOLLY: Finally the sixth clip. 34:52 through the
8 end.

9 Q. Mr. Ignatova, were you present for this presentation?

10 A. Yes.

11 Q. And you testified earlier that OneCoin is a fraud scheme;
12 is that correct?

13 A. Yes.

14 Q. At the time of this event did you know that OneCoin was a
15 fraud scheme?

16 A. No, I did not.

17 Q. Did you eventually learn that OneCoin was a fraud scheme?

18 A. Later on I did.

19 Q. Did you learn all at once or did you learn over time?

20 A. I learned it over time.

21 Q. Let's go through some of the statements made by Ruja in the
22 video that we just watched.

23 MR. FOLLY: Mr. Barile, can you display for the
24 witness only what has been marked as Government Exhibit 131.

25 Q. Mr. Ignatova, do you recognize that?

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Ignatov - Direct

1 A. Yes. This is Ruja presenting in London.

2 MR. FOLLY: The government offers Government Exhibit
3 131.

4 THE COURT: Any objection?

5 MR. DEVLIN-BROWN: No objection.

6 THE COURT: It will be received.

7 (Government's Exhibit 131 received in evidence)

8 Q. Mr. Ignatova under the column that lists name what's shown
9 there?

10 A. The names of the biggest cryptocurrencies including
11 OneCoin.

12 Q. Looking at the price column, what is your understanding of
13 what the price column represents?

14 A. How much a single coin of each cryptocurrency is worth.

15 Q. And looking at the available supply column, which lists
16 702,790,000 O-N-E or One, what is your understanding of what is
17 represented in that column?

18 A. How much coins each of each cryptocurrency are available.

19 Q. And lastly there's a column called market cap. Do you see
20 that there?

21 A. Yes.

22 Q. It lists 4,405,298,557 euros for OneCoin. What was your
23 understanding of what that represents?

24 A. How much all coins together are worth.

25 Q. In other words, is that the total value of all the coins

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1 combined for each particular cryptocurrency?

2 A. Yes.

3 Q. What was your understanding at the time of how the value of
4 each of those cryptocurrencies on the chart was determined?

5 A. I thought by supply and demand.

6 Q. Did there come a time when you learned that the real value
7 of each OneCoin was something else?

8 A. Yes.

9 Q. What is each OneCoin actually worth?

10 A. Nothing.

11 Q. Why are the coins worth nothing?

12 A. Because the value is not determined by supply and demand
13 but it's determined by the company itself.

14 MR. FOLLY: Go to Government Exhibit 56. This is a
15 stipulation regarding Ignatova text messages. If we can zoom
16 in on the paragraph on the bottom, the second paragraph on the
17 first page.

18 It states: On February 27, 2019, law enforcement
19 agents seized the cellphone from Konstantin Ignatova.
20 Government Exhibits 3001 through 3007, and all of their
21 subparts, are true and accurate copies of text messages
22 extracted from Ignatova's cellphone. Government Exhibits
23 3002S, 3003S and 3005S are charts created by the government
24 based on the information contained in Government Exhibits 3002,
25 3003 and 3005 respectively. The information in Government

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1 Exhibits 3001 through 3007 and all of their subparts was
2 contained on Ignatova's cellphone when it was seized from
3 Ignatova on February 27, 2019.

4 The government offers Government Exhibit 56 as well as
5 Government Exhibits 3001 through 3007 and their subparts.

6 MR. DEVLIN-BROWN: May I confer with counsel for just
7 one moment, your Honor?

8 THE COURT: Sure.

9 (Counsel confer)

10 MR. DEVLIN-BROWN: No objection.

11 THE COURT: Those exhibits will be received.

12 (Government's Exhibits 56, 3001 through 3007 received
13 in evidence)

14 MR. FOLLY: Mr. Barile if you could publish what's now
15 in evidence as Government Exhibit 3007.

16 Q. Mr. Ignatova do you recognize this here?

17 A. Yes. This is a WhatsApp communication between Krum Angelov
18 and me.

19 Q. Who is Krum Angelov?

20 A. When I started in OneCoin he was responsible for support.
21 Afterwards he rose as the head of operations.

22 Q. Looking at these messages, there's messages in blue and
23 messages in green. Whose messages were written by who?

24 A. Excuse me?

25 Q. Who wrote the messages in blue?

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1 A. Krum Angelov.

2 Q. Who wrote the messages in green?

3 A. I.

4 Q. At the top it says we have initiated procedure for mining
5 difficulty and coin price change.

6 And below that it says new mining difficulty will be
7 300. One price 29.95.

8 MR. FOLLY: Zoom back out. Zoom in on the whole
9 bottom portion.

10 Q. You wrote in response: When will it happen?

11 Krum wrote: I suggest Monday.

12 And you wrote: Great.

13 What was being discussed in these messages?

14 A. That this was immediately after a split happened, that the
15 coin -- the price of each coin changed. It went up. And also
16 that -- so mining difficulty went up.

17 Q. Was the price referenced in this text message chain of
18 29.95 set by supply and demand or was that set by OneCoin?

19 A. Set by OneCoin.

20 MR. FOLLY: Mr. Barile, can you put this side by side
21 with Government Exhibit 131.

22 Just highlighting the OneCoin price on Government
23 Exhibit 131.

24 Q. Mr. Ignatova, what was the price for each OneCoin when you
25 first joined OneCoin?

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Ignatov - Direct

1 A. Six euro and 25 cents.

2 Q. And what was the price as of January 11, 2019?

3 A. 29 euro and 95 cents.

4 Q. During the three years you worked for OneCoin did the price
5 of OneCoins ever go down?

6 A. No.

7 Q. Did OneCoin ever disclose to investors that the price of
8 OneCoins was not based on supply and demand?

9 A. No.

10 Q. In the video we just watched a few minutes ago Ruja ended
11 the presentation by announcing that OneCoin was doubling all of
12 the coins for each investor.

13 Do you recall that?

14 A. Yes.

15 Q. Did there come a time when OneCoin did, in fact, double the
16 coins for each investor?

17 A. Yes. In October 2016.

18 Q. After OneCoin doubled the coins for each investor, what, if
19 anything, happened to the value of those coins?

20 A. Nothing. It remained if same.

21 MR. FOLLY: Go back to what's in evidence as
22 Government Exhibit 55. This is a stipulation regarding certain
23 electronic data.

24 Pursuant to this stipulation the government offers the
25 following e-mail exhibits. Government Exhibits 2100 through

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1 2112, Government Exhibit 1126, 1142, 1143, 1009, 2102, 1035,
2 1057, 1058, as well as 1058T, 1372, 4001 through 4088, 1001,
3 and 1160.

4 THE COURT: Any objection.

5 MR. DEVLIN-BROWN: I haven't seen all of these right
6 now if I could not object now and reserve any future objection.

7 THE COURT: Very well. They will be admitted for now.

8 (Government's Exhibits 2100 through 2112, 1126, 1142,
9 1143, 1009, 2102, 1035, 1057, 1058, 1058T, 1372, 4001 through
10 4088, 1001, and 1160 received in evidence)

11 MR. FOLLY: If we could publish Government Exhibit
12 2100.

13 Zoom in on the whole top portion.

14 Q. Just looking at the top of the e-mail exchange, the e-mail
15 is from Dr. Ruja Ignatova. Do you recognize who that is?

16 A. Yes. My sister and the founder of OneCoin.

17 MR. FOLLY: If we can highlight the full body of the
18 e-mail.

19 Q. Mr. Ignatova, the e-mail is dated June 9, 2014. Were you
20 working at OneCoin at this time?

21 A. No.

22 Q. Where were you working?

23 A. At Porsche Logistics, Germany.

24 MR. FOLLY: Turn to Government Exhibit 2101.

25 MR. DEVLIN-BROWN: Your Honor, may we approach?

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Ignatov - Direct

THE COURT: Yep.

(Continued on next page)

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Ignatov - Direct

1 (At sidebar)

2 MR. DEVLIN-BROWN: Your Honor, these are exhibits, I
3 believe there's going to be a series of exhibits. 2014, what
4 you just heard, is several years before he's involved. He's
5 not on these e-mails. And we think it's inappropriate to be
6 shown to this witness at this time. And I think that's
7 particularly true for the same reason why my colleague,
8 Mr. Garvin, said before; he was not involved in these events,
9 didn't know at the time. These are very -- these are very
10 explicit e-mails. He hasn't seen these things at the time. He
11 only learned much later that there's a fraud and I think there
12 is no reason to have it on before this witness.

13 THE COURT: I'm sorry. Were these -- did you read a
14 stipulation concerning these exhibits?

15 MR. FOLLY: Yes.

16 THE COURT: Go ahead.

17 MR. FOLLY: Your Honor, we're not intending to ask
18 this witness questions that would exceed his personal
19 knowledge. Some of the e-mails reference people that he is
20 familiar with and we intend to ask him questions about those.
21 These are exhibits that we intend to publish at this trial.
22 I'm not sure what the particular concern is, since we don't
23 intend to ask Mr. Ignatova questions that exceed his personal
24 knowledge, what the particular concern is about publishing them
25 to the jury. They're in evidence at this point. They're

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1 important, very important evidence in this trial that will be
2 published to the jury.

3 We don't intend to -- I mean it's a fairly limited set
4 of e-mails. It's under fifteen e-mails. And I don't really
5 know what the evidentiary objection is to publishing evidence
6 that's in evidence and asking the witness some questions that
7 only pertain to his personal knowledge.

8 THE COURT: Well, these are admitted exhibits and
9 strictly speaking the government can show them to the jury at
10 any time obviously subject to asking appropriate questions so
11 I'll allow the government to show them.

12 MR. DEVLIN-BROWN: Thank you.

13 (Continued on next page)
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Ignatov - Direct

1 (In open court)

2 MR. FOLLY: If we could go back to Government Exhibit
3 2101. That's in evidence so we can publish it to everyone,
4 please.

5 Q. Before we get to the body of the e-mail, just focus on the
6 header. Mr. Ignatova, the document is from Dr. Ignatova to
7 Sebastian G. Do you recognize the participants in this e-mail?

8 A. Yes. Dr. Ruja Ignatova and Sebastian Greenwood were both
9 founders of OneCoin.

10 MR. FOLLY: Highlight the subject line of the e-mail.

11 Zoom back out.

12 Now zoom in on where the paragraph starting with, "I
13 am in and no way back now." Zoom in there. The first
14 paragraph. If we can just highlight from "I am in" and all the
15 way down.

16 Zoom back out.

17 If you could just zoom in on the paragraph, "I also
18 added an extra bonus for all members joining the presales."

19 Zoom back out.

20 Now turn to Government Exhibit 2110.

21 Just highlight the header, first.

22 Zoom back out.

23 If we could zoom in on the second full paragraph
24 starting with, "I have been telling you for months."

25 Zoom back out.

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Ignatov - Direct

1 If we could turn to page 3. And highlight the
2 sentence starting with, "We can manipulate the exchange."

3 We can take this down.

4 Q. Mr. Ignatova, the e-mails we just looked at in between 2014
5 and 2015, where were you working at that time?

6 A. For Porsche Logistics, South Germany.

7 Q. And when was the first time you saw any of these e-mails?

8 A. After my arrest in March 2019.

9 Q. And prior to seeing those e-mails did you have an
10 understanding that OneCoin was a fraud scheme?

11 A. Yes.

12 Q. In the video we watched earlier there was a reference to
13 something called a blockchain. Do you recall that?

14 A. Yes, I do.

15 MR. FOLLY: Mr. Barile, could you please publish
16 what's in evidence first at Government Exhibit 204A along with
17 the transcript.

18 (Recording played)

19 MR. FOLLY: Go to 204B as well, that transcript.
20 Before we press play here.

21 Q. Mr. Ignatova, did you recognize the voice of the presenter
22 on that recording?

23 A. Yes. That's the voice of Dr. Ruja Ignatova.

24 (Recording played)

25 Q. On that video we just watched Ruja explains that a

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Ignatov - Direct

1 blockchain is like a ledger or a book that is open to everyone
2 and records every transaction that happens. What is your
3 understanding of what types of transactions are typically
4 stored in a blockchain?

5 A. For example, if I would send you ten coins, then this kind
6 of transaction would be stored in a blockchain. Also, if you
7 take the ten coins and send five to a sister, for example.

8 Q. That would also be shown in a blockchain?

9 A. Yes.

10 Q. Are blockchains usually public or private?

11 A. They are usually public.

12 Q. What does it mean for a blockchain to be public?

13 A. So everybody can view every transaction that is made.

14 Q. Ruja mentioned on the video that OneCoin's blockchain was
15 open to everyone. Was that true?

16 A. No.

17 Q. Who, if anyone, was able to see the transactions on
18 OneCoin's blockchain?

19 A. Only Ruja and the IT department.

20 Q. Ruja also mentioned on the video that OneCoin's blockchain
21 recorded every transaction. Was that true?

22 A. No. Later on I learned that there were transactions made
23 that were not on the blockchain.

24 Q. Did OneCoin make representations such as the ones we saw in
25 this video to its investors about its blockchain?

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Ignatov - Direct

1 A. Yes. Almost all the time.

2 Q. What types of representations did OneCoin make?

3 A. For example, the storage of KYC documents, that it is the
4 fastest and most powerful blockchain, that it's transparent.

5 Q. Were all of those statements about OneCoin's blockchain
6 true?

7 A. No.

8 Q. Why not?

9 A. For example, it is not a public blockchain. So it's not
10 transparent. And also not every KYC is stored. Later on I
11 learned that coins can be moved from A to B without being
12 connected to any KYC.

13 Q. Did there come a time when OneCoin informed the public that
14 an auditor had conducted an audit of OneCoin's blockchain?

15 A. Yes. This was approximately 2016 or '15, I think.

16 Q. What representations did OneCoin make to the public about
17 that audit?

18 A. That external auditor made the audit report.

19 Q. Were those representations true?

20 A. No.

21 Q. Why not?

22 A. Later on I learned that the auditor took the money and ran
23 away and afterwards the IT department itself wrote the audit
24 and uploaded it on the OneCoin homepage.

25 Q. When the IT department wrote the audit and uploaded it to

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Ignatov - Direct

1 OneCoin's homepage, what did they say as to who had actually
2 conducted the audit?

3 A. They said that it is written by the external auditor.

4 Q. How did you learn about what had happened with respect to
5 the audit?

6 A. I learned it later on from -- after Ruja's disappearance
7 from Maya Antonova and Irina Dilkinska.

8 Q. Now, you referred earlier to an individual name Irina
9 Dilkinska. Is that the same individual we looked at on the
10 board?

11 A. Yes.

12 Q. And you just mentioned now someone named Maya Antonova.
13 What was her role at OneCoin?

14 A. She was the head of accounting and part of the management
15 board.

16 MR. FOLLY: Mr. Barile, if you could publish what's in
17 evidence as Government Exhibit 2103. And if we could zoom in
18 first at the top of the header.

19 Q. Mr. Ignatova, do you recognize the participants in this
20 e-mail chain?

21 A. Yes. Sebastian Greenwood and Ruja Ignatova, the founders
22 of OneCoin.

23 Q. Ruja Ignatova's e-mail address references an at RavenR.com
24 in the e-mail address. Do you see that?

25 A. Yes.

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Ignatov - Direct

1 Q. Could you remind us what RavenR was?

2 A. RavenR was Ruja's investment company to invest OneCoin
3 investors' funds.

4 MR. FOLLY: If we could zoom back out and go --
5 highlight and zoom in on step three.

6 Now turn to Government Exhibit 2104. E-mail titled
7 mining OneCoins. It's, once again, between Dr. Ruja Ignatova
8 is the recipient and it's from Mr. Sebastian Greenwood.

9 Please zoom in on the top section, the top two
10 paragraphs.

11 Turn now to Government Exhibit 2106. From Sebastian G
12 to Dr. Ruja Ignatova. Subject OneCoin CC. Zoom back out.

13 If we could highlight the section starting with the
14 sentence "We are not mining actually."

15 Zoom back out.

16 Go to page 7. Starting where it says, "We communicate
17 the coin mining concept." Zoom in on that.

18 Zoom back out.

19 Go to the section starting with "Can any member
20 (trying to be clever)."

21 Zoom back out.

22 And then right below that, "Could we come in an audit
23 situation."

24 Now if we can turn to Government Exhibit 2107.

25 If we could zoom back out starting with the paragraph

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Ignatov - Direct

1 beginning, "I am personally very unhappy." It's that top
2 paragraph.

3 You can take that down.

4 Go to Government Exhibit 2109. Go to the section
5 where it says, "We have an auditor in place."

6 Finally, if we could go to Government Exhibit 2112.

7 You can take this down.

8 Q. Mr. Ignatova, during the time period of those e-mails where
9 were you working?

10 A. For Porsche Logistics, South Germany.

11 Q. Did you eventually begin working for OneCoin?

12 A. Yes, I did.

13 Q. Approximately when was that?

14 A. In June 2016.

15 Q. What office were you working at?

16 A. In Sofia, Bulgaria.

17 Q. What was your position when you first started?

18 A. I was Ruja's personal assistant.

19 Q. What were your responsibilities as Ruja's personal
20 assistant?

21 A. In most cases they were logistic responsibilities like
22 scheduling meetings for her, booking flights for her travels,
23 and also make sure that the things that she bought are going to
24 the right address of her mansions.

25 Q. You mentioned that Ruja traveled for work; is that right?

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Ignatov - Direct

1 A. Yes. A lot.

2 Q. Did you travel with her on any of those trips?

3 A. Yes.

4 Q. What was your role when you traveled with her on those
5 trips?

6 A. For example, I had to make sure that everything worked
7 smoothly; like, the hotel, that she has reservations for dinner
8 and that she has always a car waiting for her. Also I was
9 caring her shopping bag -- shopping bags and handbag. And from
10 time to time I had to work for her as an extra security guard.

11 Q. When you say an extra security guard, what are you
12 referring to?

13 A. Ruja was always traveling with two to four bodyguards.

14 Q. What was your salary when you first started at OneCoin?

15 A. Three thousand euros a month.

16 Q. How did that compare to your salary at Porsche?

17 A. In Porsche I earned 2,800. So it was a rise of two hundred
18 euros a month.

19 Q. At OneCoin did your salary remain the same or did it change
20 over time?

21 A. One year later Ruja gave me five hundred euro per month
22 more so I got three thousand five hundred euro a month.

23 Q. Did you receive any additional compensation such as
24 bonuses?

25 A. For Christmas 2016 I received two monthly bonuses, so six

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Ignatov - Direct

1 thousand euros.

2 Q. You mentioned the office you worked out of was in Sofia,
3 Bulgaria; is that right?

4 A. Yes.

5 Q. Where in Sofia is it located?

6 A. It is pretty much central.

7 Q. Where did you sit at that OneCoin office?

8 A. In the same floor as Ruja, two rooms away from her.

9 Q. You mentioned earlier that your mother also worked at
10 OneCoin; is that right?

11 A. Yes.

12 Q. Where did she sit on that floor?

13 A. She sat in the room next to Ruja.

14 Q. What types of tasks did she perform at OneCoin?

15 A. She's a secretary. So, for example, she went to the banks
16 and got bank statements. She went to the post office to send
17 out mail.

18 Q. To your knowledge does she still work at OneCoin?

19 A. Yes, she does.

20 Q. I'm showing you what's been marked as Government Exhibit
21 116. Do you recognize that?

22 A. Yes. These are pictures from the Sofia OneCoin office.

23 MR. DiMASE: The government offers Government Exhibit
24 116.

25 MR. DEVLIN-BROWN: No objection.

JB59SCO4

Ignatov - Direct

1 THE COURT: 116 will be received.

2 (Government's Exhibit 116 received in evidence)

3 MR. FOLLY: Publish first the first page.

4 Q. What's shown there?

5 A. This is the outside of the Sofia office. The first floor
6 is the so-called crypto center. And the next three floors is
7 the actual office.

8 Q. You mentioned earlier in your testimony that Mark Scott
9 came to the OneCoin office and you met him there; is that
10 right?

11 A. Yes.

12 Q. Is this that same office?

13 A. Yes. On the fifth floor.

14 MR. FOLLY: If we could turn to pages two and three
15 side by side of this exhibit.

16 Q. What's shown in these pages here?

17 A. These are pictures of the so-called crypto center, what was
18 a place for the networkers where they can come to buy
19 merchandise and they can also meet people -- employees, if they
20 want to have a meeting with them.

21 On the right side you see the reception where it was a
22 lady seated helping users from the network with KYC or
23 supply -- support issues.

24 And on the second picture on the right side this is a
25 comic figure called Bob the miner which was to represent the

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1 process of mining.

2 Q. I'm going to ask you some more questions now about what
3 OneCoin is and how the company was structured and operated.

4 Can you describe the basic structure of the OneCoin
5 company?

6 A. OneCoin is the main company with the cryptocurrency
7 product, selling his product via the so-called OneLife network.

8 Q. What is the structure of the OneLife network?

9 A. It is an MLM structure, multilevel marketing. This means,
10 for example, if I bring you next week and somebody else in the
11 network I won't only get bonus from the sales I made to you but
12 will participate with a percentage of the sales that you make
13 and the people you bring in.

14 Q. Are you familiar with the term independent marketing
15 associates?

16 A. This is how the sellers of the network were called.

17 Q. Were they also referred to as IMAs?

18 A. Yes.

19 Q. What was the role of IMAs within OneCoin?

20 A. Approaching new investors and selling the educational
21 packages.

22 Q. You referenced something called educational packages. So
23 we'll come back to that in just one moment.

24 What types of strategies did those IMAs use to recruit
25 others to join the OneCoin network?

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1 A. For example, they approach people directly. There was
2 advertisement made, like I have seen advertisement on a car of
3 24 hours of the moonrise. And also they made these promotional
4 events.

5 Q. What types of statements did the IMAs make during those
6 promotional events to get new investors to purchase packages?

7 A. In most cases it was: Look how fast I became rich with
8 OneCoin; you can do the same.

9 Q. Were all of those representations truthful?

10 A. No.

11 Q. How much money did the top IMAs earn per month from
12 OneCoin?

13 A. There were many people earning more than 10 million euros a
14 month and, for example, Juha and Sebastian earned easily more
15 than 20 million a month.

16 Q. Just to be clear about that money that IMAs were earning.
17 Was that money on investments in actual OneCoins or was that
18 money being paid as commissions as part of the multilevel
19 market?

20 MR. DEVLIN-BROWN: Objection.

21 THE COURT: Sustained.

22 Q. The money that you referred to that the leaders such as
23 Sebastian Greenwood were earning per month, what was that money
24 based on?

25 A. It was only provisions. Based on the multilevel marketing.

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1 Q. Was any of that money based on their investments into the
2 OneCoins themselves?

3 A. No.

4 Q. Let's continue going through those steps that a new OneCoin
5 investor would take to buy OneCoins.

6 What were the methods that they could use to purchase
7 the OneCoin?

8 A. So either they bought it directly on the homepage, they
9 bought it from a networker, or at one of the offices.

10 Q. A moment ago you mentioned something called an educational
11 package. What were you referring to?

12 A. Because it is not legal to sell actually coins without
13 having an exchange.

14 MR. DEVLIN-BROWN: Objection.

15 THE COURT: Overruled.

16 Q. You can continue.

17 A. Because it was not legal to sell actually coins without an
18 exchange the educational packages were used as kind of a cover
19 to sell the product, coins in the end.

20 Q. After the user would purchase an educational package, how
21 would they use that educational package to actually get the
22 OneCoins?

23 A. Well an educational package consists of an educational PDF.
24 It is about financial topics like systems. And you get with it
25 bonus tokens. You take those bonus tokens via process of

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1 so-called mining and after this you get the coins.

2 Q. I want to show you Government Exhibit 119. Do you
3 recognize that?

4 A. Yes. This is different type of educational packages sold
5 by OneCoin.

6 MR. FOLLY: The government offers Government Exhibit
7 119.

8 MR. DEVLIN-BROWN: No objection.

9 THE COURT: 119 will be received.

10 (Government's Exhibit 119 received in evidence)

11 Q. Can you explain what the differences are between these
12 different OneCoin packages?

13 A. First of all, the price. With the higher the price gets
14 the bigger the educational data and the more bonus tokens you
15 get and the more splits come along with the package.

16 Q. You mentioned that the higher the price the more tokens the
17 purchaser would get. What could an investor do with those
18 tokens?

19 A. Mine more coins in the end.

20 Q. Are all of OneCoin's packages shown here are were there
21 additional packages?

22 A. There are additional packages that are not shown here.

23 Q. What is the approximate cost of the most expensive OneCoin
24 package?

25 A. I think the Power Pack was approximately 50 to a hundred

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1 thousand euros.

2 Q. Did a large or very small number of customers purchase the
3 Power Packs?

4 A. A large number.

5 Q. Was it common or was it rare for investors to buy more than
6 one OneCoin package?

7 A. It was common.

8 Q. What was the main benefit of buying multiple packages?

9 A. For example if -- there were promotions like buy three get
10 the fourth one for free. Or if you buy more you get more bonus
11 splits.

12 Q. And by buying more OneCoin packages would an investor also
13 get more coins?

14 A. Yes.

15 Q. You mentioned something called splits a moment ago. Can
16 you explain what you meant by splits?

17 A. A split is after a certain amount of sales the split
18 happens. This means that the tokens that are not submitted yet
19 to the process of mining are getting doubled. So that in the
20 end the user gets for -- double -- the double number of coins
21 for it.

22 MR. FOLLY: If we could publish what's in evidence as
23 Government Exhibit 1001. And zoom in on the top portion.

24 Q. Mr. Ignatova, this is an e-mail between Sebastian G to Juha
25 Parhiala CC Dr. Ruja Ignatova.

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1 You've already talked about Sebastian G and Dr. Ruja
2 Ignatova. Do you recognize the name Juha Parhiala?

3 A. Yes. He was, after Sebastian Greenwood, the biggest seller
4 in the network. He made around 20 million euros a month.

5 Q. The e-mail says: Hi Juha. Please find attached payplan
6 for One.

7 If we could turn know to the attachment to this
8 e-mail. Starting first with page three. If we could just zoom
9 in there.

10 Turn to page 4. The next page.

11 Now, page 5.

12 Finally if we could go to page 19.

13 If we could highlight the section where it says: With
14 every new member joining One the demand grows and the price of
15 our One tokens on the exchange grows.

16 Q. Mr. Ignatova, where there's a reference here to demand
17 growing and the price on the exchange growing, was that
18 statement true?

19 A. No.

20 Q. Why not?

21 A. There is no exchange.

22 Q. Look a little bit further down where it says that, in the
23 final paragraph.

24 MR. FOLLY: Zoom in there.

25 Q. It says: And as more and more new members join the price

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1 again rises, again a split happens. Congratulations, you again
2 doubled your money.

3 Mr. Ignatova the reference to investors doubling their
4 money, was that true?

5 A. No.

6 Q. Why not?

7 A. Actually the investors doubled the number of their coins
8 not the number of their money.

9 Q. Why wasn't doubling the number of their coins one and the
10 same thing as doubling their money?

11 A. Because coins are actually worthless.

12 Q. There's also a reference to the value of your investment
13 tenfold.

14 Do you see that reference?

15 A. Yes.

16 Q. Again, was that statement true?

17 A. No. Because the coins were worthless.

18 MR. FOLLY: Go to Government Exhibit 122. Just for
19 the witness.

20 Q. Do you recognize that?

21 A. Yes. This is so-called split barometer.

22 MR. FOLLY: The government offers Government Exhibit
23 122.

24 THE COURT: Any objection?

25 MR. DEVLIN-BROWN: No objection.

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1 THE COURT: 122 will be received.

2 (Government's Exhibit 122 received in evidence)

3 MR. FOLLY: Publish this side by side with Government
4 Exhibit 1001 at page 19.

5 Q. Mr. Ignatova, can you explain how the split barometer
6 worked?

7 A. The split barometer is rising with sales and the more sales
8 are made, the closer it gets to a hundred percent, and at a
9 hundred percent it splits. After the split happens the tokens
10 get doubled and there is a new price of the OneCoin and a new
11 mining difficulty.

12 Q. You mention that after the split actually happened there
13 was a new price of the OneCoin. Was that new price higher or
14 was that new price lower?

15 A. Higher.

16 Q. So just to be clear the splits actually double the number
17 of tokens; is that correct?

18 A. Yes.

19 Q. And after that happened the price of the coins would go up?

20 A. Yes.

21 Q. Where was the split barometer displayed?

22 A. On the homepage so that every user from the network could
23 see it.

24 Q. What was the effect of the split barometer on the sales of
25 OneCoin?

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1 A. The higher it gets the more it pushes sales.

2 Q. Could OneCoin manually control when splits would actually
3 happen?

4 A. Yes.

5 Q. Did OneCoin do that at times?

6 A. Yes.

7 Q. I'm going to ask you some questions now about the ways you
8 could and could not use OneCoins.

9 In Government Exhibit 203 that we looked at earlier,
10 the Coin Rush video where your sister Ruja was speaking, she
11 referenced something called a global exchange. Do you recall
12 that?

13 A. Yes.

14 Q. What was your understanding of what a global exchange was
15 supposed to be?

16 A. I thought that a global exchange is a platform where
17 everybody who owns coins can buy and sell as many as he or she
18 wants.

19 Q. Did OneCoin make representations to its investors about the
20 global exchange?

21 A. Very often.

22 Q. What types of representations were made to OneCoin's
23 investors?

24 A. That the exchange will happen and when it will happen.

25 Q. Did OneCoin tell investors that that global exchange

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1 reference would happen by any particular date?

2 A. Yes.

3 Q. Did OneCoin make that representation once or more than
4 once?

5 A. More than once.

6 Q. Did OneCoin ever launch a global exchange?

7 A. No.

8 Q. During the period of time you worked for OneCoin were
9 OneCoin investors ever able to trade their OneCoins on a global
10 exchange?

11 A. No.

12 Q. Ruja also made reference in the video we watched earlier to
13 something she referred to as global payments and she mentioned
14 among other things that OneCoin was a global currency. Do you
15 recall that?

16 A. Yes.

17 Q. As of March 2019 when you were arrested was OneCoin being
18 used as a global currency?

19 A. No.

20 Q. During the period of time you worked for OneCoin was
21 OneCoin ever used as a global currency?

22 A. No.

23 Q. In the video Ruja also made reference to a forex exchange
24 for OneCoin where investors could trade their OneCoins with
25 real currencies such as euros or dollars. Do you recall that?

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1 A. Yes.

2 MR. FOLLY: If we could publish Government Exhibit
3 203, the transcript.

4 Page 6. Starting with "We want to provide proper
5 forex." Right there on the bottom.

6 Q. Did OneCoin ever have a forex exchange while you worked for
7 them?

8 A. No.

9 MR. FOLLY: Going to page 7 of the transcript.
10 Starting with "Another thing that we want to do."

11 Q. In this portion of the presentation Ruja referenced an
12 investment fund where investors could invest OneCoins in real
13 assets.

14 Did this ever happen?

15 A. No.

16 MR. FOLLY: Your Honor I'm about to switch topics.
17 Would this be an appropriate --

18 THE COURT: This would be -- it's almost 2:30, ladies
19 and gentlemen, so let's stop for the day. We will come again
20 tomorrow morning. Please be here no later -- try to be here no
21 later than 9:15 so that we can get you started no later than
22 9:30. Until then have a very pleasant evening. Please do not
23 discuss the case, even with each other. Have a wonderful
24 evening.

25 (Jury not present)

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1 THE COURT: Everyone can be seated. Mr. Ignatova can
2 step down.

3 (Witness excused)

4 THE COURT: Please make sure that he's here no later
5 than 9:30 tomorrow morning so we can get started on time.

6 Is there anything that the parties wanted to raise?

7 MR. FOLLY: Nothing from the government, your Honor.

8 MR. DEVLIN-BROWN: No, your Honor.

9 THE COURT: OK. We'll see you tomorrow. Have a good
10 night.

11 (Adjourned to November 6, 2019 at 9 a.m.)
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